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April 2, 2018

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

Re: Duke Energy Carolinas, LLC, Duke Energy Progress, LLC and Piedmont Natural Gas Company, Inc.'s Cost Allocation Manual – 2018
Docket No. 2011-158-E

Dear Ms. Boyd:

Pursuant to Order No. 2012-517 Approving the Joint Dispatch Agreement and pursuant to Regulatory Condition No. 5.5(c) incorporated in Order No. 2012-517, please find the 2018 Cost Allocation Manual ("CAM") filed in North Carolina for Duke Energy Carolinas, LLC, Duke Energy Progress, LLC and Piedmont Natural Gas Company, Inc.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Rebecca J. Dulin

Enclosure

cc w/enc: Jeffrey M. Nelson, Office of Regulatory Staff (via email)
Shannon Bowyer Hudson, Office of Regulatory Staff (via email)
Ms. Dawn Hipp, Office of Regulatory Staff (via email)
Parties of Record (via email)

**Duke Energy Carolinas, LLC (DEC),
Duke Energy Progress, LLC (DEP),
and Piedmont Natural Gas Company, Inc.
(Piedmont)**

**Cost Allocation
Manual - 2018**



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A. INTRODUCTION

This Carolinas' Cost Allocation Manual (CAM) documents the guidelines and procedures for allocating costs between the different business units impacting DEC, DEP, and Piedmont. The guidelines are intended to provide the foundation for proper identification and recording of transactions involving the exchange of services or goods between DEC, DEP, Piedmont and their Affiliates. These guidelines describe the allocation methods that are consistent with cost causation principles to ensure one Duke Energy entity does not subsidize another. Additional information on Duke Energy's internal controls and finance policies is available for Duke Energy employees to access at:

<https://dukeenergy.sharepoint.com/sites/portal/our-company/policies/Pages/Finance-Policies.aspx>

Per the Regulatory Conditions in the *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* issued September 29, 2016 by the North Carolina Utilities Commission in Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682, the following merger conditions apply to the CAM:

5.5 Charges for and Allocations of the Costs of Affiliate Transactions. To the maximum extent practicable, all costs of Affiliate transactions shall be directly charged. When not practicable, such costs shall be assigned in proportion to the direct charges. If such costs are of a nature that direct charging and direct assignment are not practicable, they shall be allocated in accordance with Commission-approved allocation methods. The following additional provisions shall apply:

- (a) DEC, DEP, and Piedmont shall keep on file with the Commission a cost allocation manual (CAM) with respect to goods or services provided by DEC, DEP, or Piedmont, any Utility Affiliate, DEBS, any other Non-Utility Affiliate, Duke Energy, any other Affiliates, or any Nonpublic Utility Operation to DEC, DEP, or Piedmont. Piedmont will adopt DEC's and DEP's CAM.
- (b) The CAM shall describe how all directly charged, direct assignment, and other costs for each provider of goods and services will be charged between and among DEC, DEP, Piedmont, their Utility Affiliates, Non-Utility Affiliates, Duke Energy, any other Affiliates, and the Nonpublic Utility Operations, and shall include a detailed review of the common costs to be allocated and the allocation factors to be used.

- (c) The CAM shall be updated annually, and the revised CAM shall be filed with the Commission no later than March 31 of the year that the CAM is to be in effect. DEC, DEP, and Piedmont shall review the appropriateness of the allocation bases every two years, and the results of such review shall be filed with the Commission. Interim changes shall be made to the CAM, if and when necessary, and shall be filed with the Commission, in accordance with Regulatory Condition 5.6.
- (d) No changes shall be made to the procedures for direct charging, direct assigning, or allocating the costs of Affiliate transactions or to the method of accounting for such transactions associated with goods and services (including Shared Services provided by DEBS) provided to or by Duke Energy, other Affiliates, and the Nonpublic Utility Operations until DEC, DEP, or Piedmont has given 15 days' notice to the Commission of the proposed changes, in accordance with Regulatory Condition 5.6.

5.6 Procedures Regarding Interim Changes to the CAM or Lists of Goods and Services for which 15 Days' Notice Is Required. With respect to interim changes to the CAM or changes to lists of goods and services, for which the 15 day notice to the Commission is required, the following procedures shall apply: the Public Staff shall file a response and make a recommendation as to how the Commission should proceed before the end of the notice period. If the Commission has not issued an order within 30 days of the end of the notice period, DEC, DEP, or Piedmont may proceed with the changes but shall be subject to any fully adjudicated Commission order on the matter. The provisions of Regulatory Condition 13.2 do not apply to advance notices filed pursuant to Regulatory Condition 5.5(c) and (d). Such advance notices shall be filed in Docket Nos. E-7, Sub 1100A, E-2, Sub 1095A, and G-9, Sub 682A.

In addition to the CAM as a cost charging guide, DEC, DEP, and Piedmont use OpenPages to track compliance with regulatory requirements. OpenPages is administered by Corporate Compliance, which serves DEC, DEP, and Piedmont. OpenPages allows a regulatory requirement to be broken down into actionable tasks and assigned to one or more individuals. Individuals must complete tasks assigned and report completion by a certain date. OpenPages is integral to DEC's, DEP's, and Piedmont's culture of compliance.

B. SUMMARY OF CORPORATE STRUCTURE ¹

AS OF DECEMBER 31, 2017

Duke Energy Corporation

- Bison Insurance Company Limited
 - NorthSouth Insurance Company Limited
- Cinergy Corp.
 - Cinergy Global Resources, Inc.
 - Duke Energy Renewables Holding Company, LLC
 - Duke Energy Commercial Enterprises, Inc.
 - Duke Energy Renewables, Inc.
 - Cinergy Receivables Company, LLC
 - Duke Energy Indiana, LLC
 - Duke Energy Ohio, Inc.
 - Duke Energy Beckjord, LLC
 - Duke Energy Kentucky, Inc.
 - KO Transmission Company
 - Miami Power Corporation
 - Ohio Valley Electric Corporation
 - Tri-State Improvement Company
 - Duke Energy SAM, LLC
 - Duke Energy Transmission Holding Company, LLC
 - Duke Technologies, Inc.
 - Progress Fuels, LLC
- Duke Energy Clean Energy Resources
- Duke Energy Renewables NC Solar, LLC
- Duke Energy Pipeline Holding Company, LLC
 - Duke Energy ACP, LLC
 - Duke Energy Sabal Trail, LLC
 - Piedmont ENCNG Company, LLC
 - Piedmont Constitution Pipeline Company, LLC
 - DEPHCO Logistics, LLC
- Duke Energy Carolinas, LLC
- Duke Energy Corporate Services, Inc.
 - Duke Energy Business Services LLC
- Duke Energy Registration Services, Inc.
 - Duke Energy Americas, LLC
 - Duke Energy International, LLC
- Progress Energy, Inc.
 - Duke Energy Progress, LLC
 - Florida Progress, LLC
 - Duke Energy Florida, LLC
 - Strategic Resource Solutions Corp.
- Piedmont Natural Gas Company, Inc.
 - Piedmont Energy Partners, Inc.
 - Piedmont Hardy Storage Company, LLC

¹ This presentation of the Duke Energy Corporation Corporate Structure is a simplified and partial legal entity view.

C. NORTH CAROLINA CODE OF CONDUCT

(as approved by the North Carolina Utilities Commission)

This section contains the complete text of the "official" North Carolina Code of Conduct (hereinafter "Code of Conduct" or "Code"), approved by the North Carolina Utilities Commission, which governs DEC's, DEP's, and Piedmont's transactions with affiliates. This Code applies in North Carolina and South Carolina.

CODE OF CONDUCT GOVERNING THE RELATIONSHIPS, ACTIVITIES, AND TRANSACTIONS BETWEEN AND AMONG THE PUBLIC UTILITY OPERATIONS OF DEC, THE PUBLIC UTILITY OPERATIONS OF DEP, THE PUBLIC UTILITY OPERATIONS OF PIEDMONT, DUKE ENERGY CORPORATION, OTHER AFFILIATES, AND THE NONPUBLIC UTILITY OPERATIONS OF DEC, DEP, AND PIEDMONT

I. DEFINITIONS

For the purposes of this Code of Conduct, the terms listed below shall have the following definitions:

Affiliate: Duke Energy and any business entity of which ten percent (10%) or more is owned or controlled, directly or indirectly, by Duke Energy. For purposes of this Code of Conduct, Duke Energy and any business entity controlled by it are considered to be Affiliates of DEC, DEP, and Piedmont, and DEC, DEP, and Piedmont are considered to be Affiliates of each other.

Commission: The North Carolina Utilities Commission.

Confidential Systems Operation Information or CSOI: Nonpublic information that pertains to Electric Services provided by DEC or DEP, including but not limited to information concerning electric generation, transmission, distribution, or sales, and nonpublic information that pertains to Natural Gas Services provided by Piedmont, including but not limited to information concerning transportation, storage, distribution, gas supply, or other similar information.

Customer: Any retail electric customer of DEC or DEP in North Carolina and any Commission-regulated natural gas sales or natural gas transportation customer of Piedmont located in North Carolina.

Customer Information: Non-public information or data specific to a Customer or a group of Customers, including, but not limited to, electricity consumption, natural gas consumption, load profile, billing history, or credit history that is or has been obtained or compiled by DEC, DEP, or Piedmont in connection with the supplying of Electric Services or Natural Gas Services to that Customer or group of Customers.

DEBS: Duke Energy Business Services, LLC, and its successors, which is a service company Affiliate that provides Shared Services to DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations of DEC, DEP, or Piedmont, singly or in any combination.

DEC: Duke Energy Carolinas, LLC, the business entity, wholly owned by Duke Energy, that holds the franchise granted by the Commission to provide Electric Services within DEC's North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina.

DEP: Duke Energy Progress, LLC, the business entity, wholly owned by Duke Energy, that holds the franchises granted by the Commission to provide Electric Services within the DEP's North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina.

Duke Energy: Duke Energy Corporation, is the current holding company parent of DEC, DEP, Piedmont, and any successor company.

Electric Services: Commission-regulated electric power generation, transmission, distribution, delivery, and sales, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering, billing, standby service, backups, and changeovers of service to other suppliers.

Fuel and Purchased Power Supply Services: All fuel for generating electric power and purchased power obtained by DEC or DEP from sources other than DEC or DEP for the purpose of providing Electric Services.

Fully Distributed Cost: All direct and indirect costs, including overheads and an appropriate cost of capital, incurred in providing goods or services to another business entity; provided, however, that (a) for each good or service supplied by DEC, DEP, or Piedmont, the return on common equity utilized in determining the appropriate cost of capital shall equal the return on common equity authorized by the Commission in the supplying utility's most recent general rate case proceeding; (b) for each good or service supplied to DEC, DEP, or Piedmont, the appropriate cost of capital shall not exceed the overall cost of capital authorized in the supplying utility's most recent general rate case proceeding; and (c) for each good or service supplied by DEC, DEP, or Piedmont to each other, the return on common equity utilized in determining the appropriate cost of capital shall not exceed the lower of the returns on common equity authorized by the Commission in DEC's, DEP's, or Piedmont's most recent general rate case proceeding, as applicable.

JDA: Joint Dispatch Agreement, which is the agreement as filed with the Commission in Docket Nos. E-7, Sub 986, and E-2, Sub 998, on June 22, 2011, and as amended and refiled on June 12, 2012.

Market Value: The price at which property, goods, or services would change hands in an arm's length transaction between a buyer and a seller without any compulsion to engage in a transaction, and both having reasonable knowledge of the relevant facts.

Merger: All transactions contemplated by the Agreement and Plan of Merger between Duke Energy and Piedmont.

Natural Gas Services: Commission-regulated natural gas sales, natural gas transportation, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering, billing, and standby service.

Non-affiliated Gas Marketer: An entity, not affiliated with DEC, DEP, or Piedmont, engaged in the unregulated sale, arrangement, brokering or management of gas supply, pipeline capacity, or gas storage.

Nonpublic Utility Operation: All business operations engaged in by DEC, DEP, or Piedmont involving activities (including the sales of goods or services) that are not regulated by the Commission or otherwise subject to public utility regulation at the state or federal level.

Non-Utility Affiliate: Any Affiliate, including DEBS, other than a Utility Affiliate, DEC, DEP, or Piedmont.

Personnel: An employee or other representative of DEC, DEP, Piedmont, Duke Energy, another Affiliate, or a Nonpublic Utility Operation, who is involved in fulfilling the business purpose of that entity.

Piedmont: Piedmont Natural Gas Company, Inc., the business entity wholly owned by Duke Energy, that holds the franchise granted by the Commission to provide Natural Gas Services within its North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina.

Progress Energy: Progress Energy, Inc., which is the former holding company parent of DEP, is a subsidiary of Duke Energy, and any successors.

Public Staff: The Public Staff of the North Carolina Utilities Commission.

Regulatory Conditions: The conditions imposed by the Commission in connection with or related to the Merger.

Shared Services: The services that meet the requirements of the Regulatory Conditions approved in Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682, or subsequent orders of the Commission and that the Commission has explicitly authorized DEC, DEP, and Piedmont

to take from DEBS pursuant to a service agreement (a) filed with the Commission pursuant to G.S. 62-153(b), thus requiring acceptance and authorization by the Commission, and (b) subject to all other applicable provisions of North Carolina law, the rules and orders of the Commission, and the Regulatory Conditions.

Shipper: A Non-affiliated Gas Marketer, a municipal gas customer, or an end-user of gas.

Utility Affiliates: The regulated public utility operations of Duke Energy Florida, LLC (“DEF”), Duke Energy Indiana, LLC (“DEI”), Duke Energy Kentucky, Inc. (“DEK”) and Duke Energy Ohio, Inc. (“DEO”).

II. GENERAL

This Code of Conduct establishes the minimum guidelines and rules that apply to the relationships, transactions, and activities involving the public utility operations of DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations of DEC, DEP, and Piedmont, to the extent such relationships, activities, and transactions affect the public utility operations of DEC, DEP, and Piedmont in their respective service areas. DEC, DEP, Piedmont, and the other Affiliates are bound by this Code of Conduct pursuant to Regulatory Condition 6.1 approved by the Commission in Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682. This Code of Conduct is subject to modification by the Commission as the public interest may require, including, but not limited to, addressing changes in the organizational structure of DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations; changes in the structure of the electric industry or natural gas industry; or other changes that warrant modification of this Code.

DEC, DEP, or Piedmont may seek a waiver of any aspect of this Code of Conduct by filing a request with the Commission showing that circumstances in a particular case justify such a waiver.

III. STANDARDS OF CONDUCT

A. Independence and Information Sharing

1. Separation - DEC, DEP, Piedmont, Duke Energy, and the other Affiliates shall operate independently of each other and in physically separate locations to the maximum extent practicable; however, to the extent that the Commission has approved or accepted a service company-to-utility or utility-to-utility service agreement or list, DEC, DEP, Piedmont, Duke Energy, and the other Affiliates may operate as described in the agreement or list on file at the Commission. DEC, DEP, Piedmont, Duke Energy, and each of the other Affiliates shall maintain separate books and records. Each of DEC's, DEP's, and Piedmont's Nonpublic Utility Operations shall maintain separate records from those of DEC's, DEP's, and Piedmont's public utility operations to ensure appropriate cost allocations and any arm's-length-transaction requirements.

2. Disclosure of Customer Information:

- (a) Upon request, and subject to the restrictions and conditions contained herein, DEC, DEP, and Piedmont may provide Customer Information to Duke Energy or another Affiliate under the same terms and conditions that apply to the provision of such information to non-Affiliates. In addition, DEC and DEP may provide Customer Information to their respective Nonpublic Utility Operations under the same terms and conditions that apply to the provision of such information to non-Affiliates.
- (b) Except as provided in Section III.A.2.(f), Customer Information shall not be disclosed to any Affiliate or non-affiliated third party without the Customer's consent, and then only to the extent specified by the Customer. Consent to disclosure of Customer Information to Affiliates of DEC, DEP, and Piedmont or to DEC's or DEP's Nonpublic Utility Operations may be obtained by means of written, electronic, or recorded verbal authorization upon providing the Customer with the information set forth in Attachment A; provided, however, that DEC, DEP, and Piedmont retain such authorization for verification purposes for as long as the authorization remains in effect. Written, electronic, or recorded verbal authorization or consent for the disclosure of Piedmont's Customer Information to Piedmont's Nonpublic Utility Operations is not required.
- (c) If the Customer allows or directs DEC, DEP, or Piedmont to provide Customer Information to Duke Energy, another Affiliate, or to DEC's or DEP's Nonpublic Utility Operations, then DEC, DEP, or Piedmont shall ask if the Customer would like the Customer Information to be provided to one or more non-Affiliates. If the Customer directs DEC, DEP, or Piedmont to provide the Customer Information to one or more non-Affiliates, the Customer Information shall be disclosed to all entities designated by the Customer contemporaneously and in the same manner.
- (d) Section III.A.2.shall be permanently posted on DEC's, DEP's and Piedmont's website(s).
- (e) No DEC, DEP, or Piedmont employee who is transferred to Duke Energy or another Affiliate, shall be permitted to copy or otherwise compile any Customer Information for use by such entity except as authorized by the Customer pursuant to a signed Data Disclosure Authorization. DEC, DEP, and Piedmont shall not transfer any employee to Duke Energy or another Affiliate for the purpose of disclosing or providing Customer Information to such entity.

(f) Notwithstanding the prohibitions in this Section III.A.2.:

- (i) DEC, DEP, and Piedmont may disclose Customer Information to DEBS, any other Affiliate, or a non-affiliated third party without Customer consent to the extent necessary for the Affiliate or non-affiliated third party to provide goods or services to DEC, DEP, or Piedmont and upon the written agreement of the other Affiliate or non-affiliated third-party to protect the confidentiality of such Customer Information. To the extent the Commission approves a list of services to be provided and taken pursuant to one or more utility-to-utility service agreements, then Customer Information may be disclosed pursuant to the foregoing exception to the extent necessary for such services to be performed.
- (ii) DEC and DEP may disclose Customer Information to their Nonpublic Utility Operations without Customer consent to the extent necessary for the Nonpublic Utility Operations to provide goods and services to DEC or DEP and upon the written agreement of the Nonpublic Utility Operations to protect the confidentiality of such Customer Information.
- (iii) DEC, DEP, and Piedmont may disclose Customer Information to a state or federal regulatory agency or court of competent jurisdiction if required in writing to do so by the agency or court.
- (g) DEC, DEP, and Piedmont shall take appropriate steps to store Customer Information in such a manner as to limit access to those persons permitted to receive it and shall require all persons with access to such information to protect its confidentiality.
- (h) DEC, DEP, and Piedmont shall establish guidelines for its employees and representatives to follow with regard to complying with this Section III.A.2.
- (i) No DEBS employee may use Customer Information to market or sell any product or service to DEC's, DEP's, or Piedmont's Customers, except in support of a Commission-approved rate schedule or program or a marketing effort managed and supervised directly by DEC, DEP, or Piedmont.
- (j) DEBS employees with access to Customer Information must be prohibited from making any improper indirect use of the data, including directing or encouraging any actions based on the

Customer Information by employees of DEBS that do not have access to such information, or by other employees of Duke Energy or other Affiliates or Nonpublic Utility Operations of DEC and DEP.

- (k) Should any inappropriate disclosure of DEC, DEP, or Piedmont Customer Information occur at any time, DEC, DEP, or Piedmont shall promptly file a statement with the Commission describing the circumstances of the disclosure, the Customer information disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.

3. The disclosure of Confidential Systems Operation Information of DEC, DEP, and Piedmont shall be governed as follows:

- (a) Such CSOI shall not be disclosed by DEC, DEP, or Piedmont to an Affiliate or a Nonpublic Utility Operation unless it is disclosed to all competing non-Affiliates contemporaneously and in the same manner. Disclosure to non-Affiliates is not required under the following circumstances:
 - (i) The CSOI is provided to employees of DEC or DEP for the purpose of implementing, and operating pursuant to, the JDA in accordance with the Regulatory Conditions approved in Docket Nos. E-7, Sub 986, and E-2, Sub 998.
 - (ii) The CSOI is necessary for the performance of services approved to be performed pursuant to one or more Affiliate utility-to-utility service agreements.
 - (iii) A state or federal regulatory agency or court of competent jurisdiction over the disclosure of the CSOI requires the disclosure.
 - (iv) The CSOI is provided to employees of DEBS pursuant to a service agreement filed with the Commission pursuant to G.S. 62-153.
 - (v) The CSOI is provided to employees of DEC's, DEP's, or Piedmont's Utility Affiliates for the purpose of sharing best practices and otherwise improving the provision of regulated utility service. The CSOI is provided to an Affiliate pursuant to an agreement filed with the Commission pursuant to G.S. 62-153, provided that the agreement specifically describes the types of CSOI to be disclosed.

- (vi) Disclosure is otherwise essential to enable DEC or DEP to provide Electric Services to their Customers or for Piedmont to provide Natural Gas Services to its Customers.
 - (vii) Disclosure of the CSOI is necessary for compliance with the Sarbanes-Oxley Act of 2002.
- (b) Any CSOI disclosed pursuant Section III.A.3.(a)(i)-(viii) shall be disclosed only to employees that need the CSOI for the purposes covered by those exceptions and in as limited a manner as possible. The employees receiving such CSOI must be prohibited from acting as conduits to pass the CSOI to any Affiliate(s) and must have explicitly agreed to protect the confidentiality of such CSOI.
- (c) For disclosures pursuant to Section III.A.3.(a)(vii) and (viii), DEC, DEP, and Piedmont shall include in their annual affiliated transaction reports the following information:
- (i) The types of CSOI disclosed and the name(s) of the Affiliate(s) to which it is being, or has been, disclosed;
 - (ii) The reasons for the disclosure; and
 - (iii) Whether the disclosure is intended to be a one-time occurrence or an ongoing process.

To the extent a disclosure subject to the reporting requirement is intended to be ongoing, only the initial disclosure and a description of any processes governing subsequent disclosures need to be reported.

- (d) DEC, DEP, Piedmont, and DEBS employees with access to CSOI must be prohibited from making any improper indirect use of the data, including directing or encouraging any actions based on the CSOI by employees that do not have access to such information, or by other employees of Duke Energy or other Affiliates or Nonpublic Utility Operations of DEC and DEP.
- (e) Should the handling or disclosure of CSOI by DEBS, or another Affiliate or Nonpublic Utility Operation, or its respective employees, result in (i) a violation of DEC's or DEP's FERC Statement of Policy and Code of Conduct (FERC Code), 18 CFR 358 - Standards of Conduct for Transmission Providers (Transmission Standards), or any other relevant FERC standards or codes of conduct, (ii) the

posting of such data on an Open Access Same-Time Information System (OASIS) or other Internet website, or (iii) other public disclosure of the data, DEC or DEP shall promptly file a statement with the Commission in Docket No. E-7, Sub 1100C, and E-2, Sub 1095C, respectively, describing the circumstances leading to such violation, posting, or other public disclosure describing the circumstances leading to such violation, posting, or other public disclosure, any data required to be posted or otherwise publicly disclosed, and the steps taken to mitigate the effects of the current and prevent any future potential violation, posting, or other public disclosure.

- (f) Should any inappropriate disclosure of CSOI occur at any time, DEC, DEP, or Piedmont shall promptly file a statement with the Commission in Docket No. E-7, Sub 1100C, E-2, Sub 1095C, or G-9, Sub 682C, respectively, describing the circumstances of the disclosure, the CSOI disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.
- (g) Unless publicly noticed and generally available, should the FERC Code, the Transmission Standards, or any other relevant FERC standards or codes of conduct be eliminated, amended, superseded, or otherwise replaced, DEC and DEP shall file a letter with the Commission in Docket Nos. E-7, Sub 1100E, and E-2, Sub 1095E, describing such action within 60 days of the action, along with a copy of any amended or replacement document.

B. Nondiscrimination

1. DEC's, DEP's, and Piedmont's employees and representatives shall not unduly discriminate against non-Affiliated entities.

2. In responding to requests for Electric Services, Natural Gas Services, or both, DEC, DEP, and Piedmont shall not provide any preference to Duke Energy, another Affiliate, or a Nonpublic Utility Operation, or to any customers of such an entity, as compared to non-Affiliates or their customers. Moreover, neither DEC, DEP, Piedmont, Duke Energy, nor any other Affiliates shall represent to any person or entity that Duke Energy, another Affiliate, or a Nonpublic Utility Operation will receive any such preference.

3. DEC, DEP, and Piedmont shall apply the provisions of their respective tariffs equally to Duke Energy, the other Affiliates, the Nonpublic Utility Operations, and non-Affiliates.

4. DEC, DEP, and Piedmont shall process all similar requests for Electric Services, Natural Gas Services, or both, in the same timely manner, whether requested on behalf of Duke Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated

entity.

5. No personnel or representatives of DEC, DEP, Piedmont, Duke Energy, or another Affiliate shall indicate, represent, or otherwise give the appearance to another party that Duke Energy or another Affiliate speaks on behalf of DEC, DEP, or Piedmont; provided however, that this prohibition shall not apply to employees of DEBS providing Shared Services or to employees of another Affiliate to the extent explicitly provided for in an affiliate agreement that has been accepted by the Commission. In addition, no personnel or representatives of a Nonpublic Utility Operation shall indicate, represent, or otherwise give the appearance to another party that they speak on behalf of DEC's, DEP's, or Piedmont's regulated public utility operations.

6. No personnel or representatives of DEC, DEP, Piedmont, Duke Energy, another Affiliate, or a Nonpublic Utility Operation shall indicate, represent, or otherwise give the appearance to another party that any advantage to that party with regard to Electric Services or Natural Gas Services exists as the result of that party dealing with Duke Energy, another Affiliate, or a Nonpublic Utility Operation, as compared with a non-Affiliate.

7. DEC, DEP, and Piedmont shall not condition or otherwise tie the provision or terms of any Electric Services or Natural Gas Services to the purchasing of any goods or services from, or the engagement in business of any kind with, Duke Energy, another Affiliate, or a Nonpublic Utility Operation.

8. When any employee or representative of DEC, DEP, or Piedmont receives a request for information from or provides information to a Customer about goods or services available from Duke Energy, another Affiliate, or a Nonpublic Utility Operation, the employee or representative shall advise the Customer that such goods or services may also be available from non-Affiliated suppliers.

9. Disclosure of Customer Information to Duke Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated entity shall be governed by Section III.A.2. of this Code of Conduct.

10. Unless otherwise directed by order of the Commission, electric generation shall not receive a priority of use from Piedmont that would supersede or diminish Piedmont's provision of service to its human needs firm residential and commercial customers.

11. Piedmont shall file an annual report with the Commission summarizing all requests or inquiries for Natural Gas Services made by a non-utility generator, Piedmont's response to the request, and the status of the inquiry.

C. Marketing

1. The public utility operations of DEC, DEP, and Piedmont may engage in joint sales, joint sales calls, joint proposals, or joint advertising (a joint marketing arrangement) with their Affiliates and with their Nonpublic Utility Operations, subject to compliance with other provisions of this Code of Conduct and any conditions or restrictions that the Commission may hereafter establish. DEC, DEP, and Piedmont shall not otherwise engage in such joint activities without making such opportunities available to comparable third parties.

2. Neither Duke Energy nor any of the other Affiliates shall use the names or logos of DEC, DEP, or Piedmont in any communications without the following disclaimer:

- (a) "[Duke Energy Corporation/Affiliate] is not the same company as [DEC/DEP/Piedmont], and [Duke Energy Corporation/Affiliate] has separate management and separate employees";
- (b) "[Duke Energy Corporation/Affiliate] is not regulated by the North Carolina Utilities Commission or in any way sanctioned by the Commission";
- (c) "Purchasers of products or services from [Duke Energy Corporation/Affiliate] will receive no preference or special treatment from [DEC/DEP/Piedmont]"; and
- (d) "A customer does not have to buy products or services from [Duke Energy Corporation/Affiliate] in order to continue to receive the same safe and reliable electric service from [DEC/DEP] or natural gas service from Piedmont."

3. Nonpublic Utility Operations may not use the names or logos of DEC, DEP, or Piedmont in communications without the following disclaimer:

"[Name of product or service being offered by Nonpublic Utility Operation] is not part of the regulated services offered by [DEC/DEP/Piedmont] and is not in any way sanctioned by the North Carolina Utilities Commission."

4. In addition, DEC's and DEP's Nonpublic Utility Operations may not use the names or logos of DEC or DEP in any communications without the following disclaimers:

- (a) "Purchasers of [name of product or service being offered by Nonpublic Utility Operation] from [Nonpublic Utility Operation] will receive no preference or special treatment from [DEC/DEP]"; and
- (b) "A customer does not have to buy this product or service from [Nonpublic Utility Operation] in order to continue to receive the same safe and reliable electric service from [DEC/DEP]."

The required disclaimers in this Section III.C.4. must be sized and displayed in a way that is commensurate with the name and logo so that the disclaimer is at least the larger of one-half the size of the type that first displays the name and logo or the predominant type used in the communication.

D. Transfers of Goods and Services, Transfer Pricing, and Cost Allocation

1. Cross-subsidies involving DEC, DEP, or Piedmont and Duke Energy, other Affiliates, or the Nonpublic Utility Operations are prohibited.

2. All costs incurred by personnel or representatives of DEC, DEP, or Piedmont for or on behalf of Duke Energy, other Affiliates, or the Nonpublic Utility Operations shall be charged to the entity responsible for the costs.

3. The following conditions shall apply as a general guideline to the transfer prices charged for goods and services, including the use or transfer of personnel, exchanged between and among DEC, DEP, or Piedmont, and Duke Energy, the other Non-Utility Affiliates, and the Nonpublic Utility Operations, to the extent such prices affect DEC's, DEP's, or Piedmont's operations or costs of utility service:

- (a) Except as otherwise provided for in this Section III.D., for untariffed goods and services provided by DEC, DEP, or Piedmont to Duke Energy, a Non-Utility Affiliate, or a Nonpublic Utility Operation, the transfer price paid to DEC, DEP, or Piedmont shall be set at the higher of Market Value or DEC's, DEP's, or Piedmont's Fully Distributed Cost.
- (b) Except as otherwise provided for in this Section III.D., for goods and services provided, directly or indirectly, by Duke Energy, a Non-Utility Affiliate other than DEBS, or a Nonpublic Utility Operation to DEC, DEP, or Piedmont, the transfer price(s) charged by Duke Energy, the Non-Utility Affiliate, and the Nonpublic Utility Operation to DEC, DEP, or Piedmont shall be set at the lower of Market Value or Duke Energy's, the Non-Utility Affiliate's, or the Nonpublic Utility Operation's Fully Distributed Cost(s). If DEC, DEP, or Piedmont do not engage in competitive solicitation and instead obtain the goods or services from Duke Energy, a Non-Utility Affiliate, or a Nonpublic

Utility Operation, DEC, DEP, and Piedmont shall implement adequate processes to comply with this Code provision and related Regulatory Conditions and ensure that in each case DEC's, DEP's, and Piedmont's Customers receive service at the lowest reasonable cost, unless otherwise directed by order of the Commission. For goods and services provided by DEBS to DEC, DEP, Piedmont, and Utility Affiliates, the transfer price charged shall be set at DEBS' Fully Distributed Cost.

- (c) Tariffed goods and services provided by DEC, DEP, and Piedmont to Duke Energy, other Affiliates, or a Nonpublic Utility Operation shall be provided at the same prices and terms that are made available to Customers having similar characteristics with regard to Electric Services or Natural Gas Services under the applicable tariff.
- (d) With the exception of gas supply transactions, transportation transactions, or both, between DEC and Piedmont or DEP and Piedmont, untariffed non-power, non-generation, or non-fuel goods and services provided by DEC, DEP, or Piedmont to DEC, DEP, Piedmont, or the Utility Affiliates or by the Utility Affiliates to DEC, DEP, or Piedmont, shall be transferred at the supplier's Fully Distributed Cost, unless otherwise directed by order of the Commission.
- (e) All Piedmont deliveries to DEC and DEP pursuant to intrastate negotiated sales or transportation arrangements and combinations of sales and transportation transactions shall be at the same price and terms that are made available to other Shippers having comparable characteristics, such as nature of service (firm or interruptible, sales or transportation), pressure requirements, nature of load (process/heating/electric generation), size of load, profile of load (daily, monthly, seasonal, annual), location on Piedmont's system, and costs to serve and rates. Piedmont shall maintain records in sufficient detail to demonstrate compliance with this requirement.
- (f) All gas supply transactions, interstate transportation and storage transactions, and combinations of these transactions, between DEC or DEP and Piedmont shall be at the fair market value for similar transactions between non-affiliated third parties. DEC, DEP, and Piedmont shall maintain records, such as published market price indices, in sufficient detail to demonstrate compliance with this requirement.

- (g) All of the margins, also referred to as net compensation, received by Piedmont on secondary market sales to DEC and DEP shall be recorded in Piedmont's Deferred Gas Cost Accounts and shall flow through those accounts for the benefit of ratepayers. None of the margins on secondary market sales by Piedmont to DEC and DEP shall be included in the secondary market transactions subject to the sharing mechanism on secondary market transactions approved by the Commission in its Order Approving Stipulation, dated December 22, 1995, in Docket No. G-100, Sub 67. The sharing percentage on secondary market sales shall not be considered in determining the prudence of such transactions.

4. To the extent that DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations receive Shared Services from DEBS (or its successor), these Shared Services may be jointly provided to DEC, DEP, Piedmont, Duke Energy, other Affiliates, or the Nonpublic Utility Operations on a fully distributed cost basis, provided that the taking of such Shared Services by DEC, DEP, and Piedmont is cost beneficial on a service-by-service (e.g., accounting management, human resources management, legal services, tax administration, public affairs) basis to DEC, DEP, and Piedmont. Charges for such Shared Services shall be allocated in accordance with the cost allocation manual filed with the Commission pursuant to Regulatory Condition 5.5, subject to any revisions or other adjustments that may be found appropriate by the Commission on an ongoing basis.

5. DEC, DEP, Piedmont, and their Utility Affiliates may capture economies-of-scale in joint purchases of goods and services (excluding the purchase of electricity or ancillary services intended for resale unless such purchase is made pursuant to a Commission-approved contract or service agreement), if such joint purchases result in cost savings to DEC's, DEP's, and Piedmont's Customers. DEC, DEP, Piedmont, and their Utility Affiliates may capture economies-of-scale in joint purchases of coal and natural gas, if such joint purchases result in cost savings to DEC's, DEP's, and Piedmont's Customers. All joint purchases entered into pursuant to this section shall be priced in a manner that permits clear identification of each participant's portion of the purchases and shall be reported in DEC's, DEP's, and Piedmont's affiliated transaction reports filed with the Commission.

6. All permitted transactions between DEC, DEP, Piedmont, Duke Energy, other Affiliates, and the Nonpublic Utility Operations shall be recorded and accounted for in accordance with the cost allocation manual required to be filed with the Commission pursuant to Regulatory Condition 5.5 and with Affiliate agreements accepted by the Commission or otherwise processed in accordance with North Carolina law, the rules and orders of the Commission, and the Regulatory Conditions.

7. Costs that DEC, DEP, and Piedmont incur in assembling, compiling, preparing, or furnishing requested Customer Information or CSOI for or to Duke Energy, other Affiliates, Nonpublic Utility Operations, or non-Affiliates (other than the

Customer or the Customer's designated representative or agent) shall be recovered from the requesting party pursuant to Section III.D.3. of this Code of Conduct.

8. Any technology or trade secrets developed, obtained, or held by DEC, DEP, or Piedmont in the conduct of regulated operations shall not be transferred to Duke Energy, another Affiliate, or a Nonpublic Utility Operation without just compensation and the filing of 60-days prior notification to the Commission. DEC, DEP, and Piedmont are not required to provide advance notice for such transfers to each other and may request a waiver of this requirement from the Commission with respect to such transfers to Duke Energy, a Utility Affiliate, a Non-Utility Affiliate, or a Nonpublic Utility Operation. In no case, however, shall the notice period requested be less than 20 business days.

9. DEC, DEP, and Piedmont shall receive compensation from Duke Energy, other Affiliates, and the Nonpublic Utility Operations for intangible benefits, if appropriate.

E. Regulatory Oversight

1. The requirements regarding affiliate transactions set forth in G.S. 62-153 shall continue to apply to all transactions between DEC, DEP, Piedmont, Duke Energy, and the other Affiliates.

2. The books and records of DEC, DEP, Piedmont, Duke Energy, other Affiliates, and the Nonpublic Utility Operations shall be open for examination by the Commission, its staff, and the Public Staff as provided in G.S. 62-34, 62-37, and 62-51.

3. If Piedmont supplies any Natural Gas Services, with the exception of Natural Gas Services provided pursuant to Commission-approved contracts or service agreements, used by either DEC or DEP to generate electricity, DEC or DEP, as applicable, shall file a report with the Commission in its annual fuel and fuel-related cost recovery case demonstrating that the purchase was prudent and the price was reasonable.

4. To the extent North Carolina law, the orders and rules of the Commission, and the Regulatory Conditions permit Duke Energy, an Affiliate, or a Nonpublic Utility Operation to supply DEC, DEP, or Piedmont with Natural Gas Services or other Fuel and Purchased Power Supply Services used by DEC or DEP to provide Electric Services to Customers, and to the extent such Natural Gas Services or other Fuel and Purchased Power Supply Services are supplied, DEC or DEP, as applicable, shall demonstrate in its annual fuel adjustment clause proceeding that each such acquisition was prudent and the price was reasonable.

F. Utility Billing Format

To the extent any bill issued by DEC, DEP, Piedmont, Duke Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated third party includes charges to Customers for Electric Services or Natural Gas Services and non-Electric Services, non-Natural Gas Services, or any combination of such services, from Duke Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated third party, the charges for Electric Services and Natural Gas Services shall be separated from the charges for any other services included on the bill. Each such bill shall contain language stating that the Customer's Electric Services and Natural Gas Services will not be terminated for failure to pay for any other services billed.

G. Complaint Procedure

1. DEC, DEP, and Piedmont shall establish procedures to resolve potential complaints that arise due to the relationship of DEC, DEP, and Piedmont with Duke Energy, the other Affiliates, and the Nonpublic Utility Operations. The complaint procedures shall provide for the following:

- (a) Verbal and written complaints shall be referred to a designated representative of DEC, DEP, or Piedmont.
- (b) The designated representative shall provide written notification to the complainant within 15 days that the complaint has been received.
- (c) DEC, DEP, or Piedmont shall investigate the complaint and communicate the results or status of the investigation to the complainant within 60 days of receiving the complaint.
- (d) DEC, DEP, and Piedmont shall each maintain a log of complaints and related records and permit inspection of documents (other than those protected by the attorney/client privilege) by the Commission, its staff, or the Public Staff.

2. Notwithstanding the provisions of Section III.G.1., any complaints received through Duke Energy's EthicsLine (or successor), which is a confidential mechanism available to the employees of the Duke Energy holding company system, shall be handled in accordance with procedures established for the EthicsLine.

3. These complaint procedures do not affect a complainant's right to file a formal complaint with the Commission or otherwise communicate with the Commission or the Public Staff regarding a complaint.

H. Natural Gas/Electricity Competition

DEC, DEP, and Piedmont shall continue to compete against all energy providers, including each other, to serve those retail customer energy needs that can be legally and profitably served by both electricity and natural gas. The competition between DEC or DEP and Piedmont shall be at a level that is no less than that which existed prior to the Merger. Without limitation as to the full range of potential competitive activity, DEC, DEP, and Piedmont shall maintain the following minimum standards:

1. Piedmont will make all reasonable efforts to extend the availability of natural gas to as many new customers as possible.
2. In determining where and when to extend the availability of natural gas, Piedmont will at a minimum apply the same standards and criteria that it applied prior to the Merger.
3. In determining where and when to extend the availability of natural gas, Piedmont will make decisions in accordance with the best interests of Piedmont, rather than the best interest of DEC or DEP.
4. To the extent that either the natural gas industry or the electricity industry is further restructured, DEC, DEP, and Piedmont will undertake to maintain the full level of competition intended by this Code of Conduct subject to the right of DEC, DEP, Piedmont or the Public Staff to seek relief from or modifications to this requirement by the Commission.

CODE OF CONDUCT ATTACHMENT A

DEC/DEP/PIEDMONT CUSTOMER INFORMATION DISCLOSURE AUTHORIZATION

For Disclosure to Affiliates:

DEC's/DEP's/Piedmont's Affiliates offer products and services that are separate from the regulated services provided by DEC/DEP/Piedmont. These services are not regulated by the North Carolina Utilities Commission. These products and services may be available from other competitive sources.

The Customer authorizes DEC/DEP/Piedmont to provide any data associated with the Customer account(s) residing in any DEC/DEP/Piedmont files, systems or databases [**or specify types of data**] to the following Affiliate(s) _____. DEC/DEP/Piedmont will provide this data on a non-discriminatory basis to any other person or entity upon the Customer's authorization.

For Disclosure to Nonpublic Utility Operations:

DEC/DEP offers optional, market-based products and services that are separate from the regulated services provided by DEC/DEP. These services are not regulated by the North Carolina Utilities Commission. These products and services may be available from other competitive sources.

The Customer authorizes DEC/DEP to use any data associated with the Customer account(s) residing in any DEC/DEP files, systems or databases [**or specify types of data**] for the purpose of offering and providing energy-related products or services to the Customer. DEC/DEP will provide this data on a non-discriminatory basis to any other person or entity upon the Customer's authorization.

D. SERVICE AGREEMENT LISTS

Service Agreement lists outlining services that DEC, DEP and Piedmont may receive from their Duke Energy affiliates include the following:

- Service Company Utility Service Agreement List
- Operating Companies Service Agreement List
- Operating Companies/Non-Utility Companies Service Agreement List

For a complete list of the services related to affiliate service agreements, please refer to NCUC Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A or G-9, Sub 682A. These affiliate service agreements may also be found on the State Regulatory Compliance Portal.

In addition, DEC, DEP, and Duke Energy Florida, LLC are parties to the Nuclear Services Agreement, with the Nuclear Services Agreement List, which includes the services that DEC and DEP may receive from each other and Duke Energy Florida, LLC.

E. GUIDELINES FOR TRANSACTIONS BETWEEN DEC/DEP/PIEDMONT AND AFFILIATES

The *Guidelines for Transactions between DEC/DEP/Piedmont and Affiliates* (“*Guidelines*”) is an internal document developed to help employees implement the North Carolina Code of Conduct. The Guidelines may be revised from time to time as necessary to meet changing business requirements.

These Guidelines are intended to apply to all employees in dealings between DEC/DEP/Piedmont and their affiliates to assist in compliance with the North Carolina Code of Conduct, North Carolina and South Carolina state laws, and federal laws concerning affiliate transactions. Application of the affiliate rules to specific transactions may depend on the specific facts at issue. Any questions concerning the affiliate rules or these Guidelines should be directed to the subject matter experts listed later in this section.

A. DEFINITIONS

Please reference Section C. *North Carolina Code of Conduct* in this CAM for definitions. Below are some additional definitions used throughout the CAM.

FERC: Federal Energy Regulatory Commission.

NCUC: North Carolina Utilities Commission.

ORS: Office of Regulatory Staff in South Carolina.

PSCSC: Public Service Commission of South Carolina.

Public Items: Items DEC/DEP/Piedmont, in their discretion, make available at no charge to any third party, including an Affiliate, upon request.

Service Company: Duke Energy Business Services, LLC (DEBS), which is an affiliate that provides shared services to DEC/DEP/Piedmont and their affiliates.

Technology And Trade Secrets: For the purposes of these Guidelines "Trade Secrets" is defined as information, including a formula, pattern, compilation, device, method, technique, or process, that: (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that

are reasonable under the circumstances to maintain its secrecy. Technology is scientific, engineering or technical information which is patented or is a trade secret.

B. INFORMATION SHARING RESTRICTIONS

1. Customer Information

- **Customer Information may be disclosed to an Affiliate, Nonpublic Utility Operations, or any third party only with the Customer's prior consent, as described in more detail below.**

- Consent to disclosure of Customer Information to Affiliates or Nonpublic Utility Operations may be by written authorization, electronic authorization or recorded verbal authorization upon providing the Customer with the information set out in Attachment A to the Code of Conduct.
- Departments providing Customer Information to Affiliates or Nonpublic Utility Operations must retain verification of the authorization for the longer of three years or as long as the authorization remains in effect.
- Written, electronic, or recorded verbal authorization or consent for the disclosure of Piedmont's Customer Information to Piedmont's Nonpublic Utility Operations is not required.

Exception: DEC/DEP/Piedmont may disclose Customer Information to Affiliates, Nonpublic Utility Operations or third parties as necessary for the Affiliate, Nonpublic Utility Operations or third party to provide goods or services to DEC, DEP or Piedmont.

- Affiliates and/or Nonpublic Utility Operations receiving Customer Information under this exception must agree to protect the confidentiality of the Customer Information they receive. Employee training or information technology non-disclosure statements may be used to meet this requirement.
- Agreements with third parties should provide for the protection of Customer Information.
- Customer Information may be used by DEBS employees to market or sell products or services to customers of DEC/DEP/Piedmont **only** in support of:
 - NCUC or PSCSC approved rate schedules or programs; or
 - Marketing efforts managed and supervised directly by DEC/DEP/Piedmont.
- DEBS employees with access to Customer Information may not act as an improper conduit of this information. For example, employees must not provide indirect access to the data, or recommend action based on the Customer Information, to any DEBS or other Affiliate or Nonpublic Utility Operations employees who have not been granted proper access to the information.
- *Any improper disclosure of Customer Information requires promptly filing a statement with the NCUC describing the circumstances of the disclosure, the results of the disclosure, and the mitigating and/or other steps taken to address the disclosure, and the Legal Department must be informed of the disclosure to facilitate this notification.*

2. Confidential Systems Operation Information

- Confidential Systems Operation Information (“CSOI”) may not be disclosed to an Affiliate or Nonpublic Utility Operation unless it is disclosed to all competing non-Affiliates at the same time and in the same manner.
- **Exceptions:**
 - The CSOI is provided to employees of DEC/DEP/Piedmont for the purpose of implementing, and operating pursuant to, the Joint Dispatch Agreement in accordance with the Regulatory Conditions approved in Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A, and G-9, Sub 682A.
 - The CSOI is necessary for the performance of services approved to be performed pursuant to one or more Affiliate utility-to-utility service agreements.
 - The disclosure is required by law or by a state or federal regulatory agency or court.
 - The CSOI is provided to employees of DEBS pursuant to a service agreement filed with the Commission pursuant to G.S. 62-153.
 - CSOI may be provided to Utility Affiliates for the purpose of sharing best practices and improving the provision of regulated utility service.
 - The CSOI is provided to an Affiliate pursuant to an agreement filed with the Commission pursuant to G.S. 62-153, provided that the agreement specifically describes the types of information to be disclosed.
 - Sharing of CSOI is permitted if it is otherwise essential to enable DEC/DEP/Piedmont to provide Utility Services to its Customers, or for compliance with the Sarbanes-Oxley Act of 2002.
 - However, certain reporting requirements are triggered by use of this exception. ***Consult with the Legal Department prior to sharing Operation Information under this exception.***
 - Employees receiving CSOI under these exceptions must agree to protect the confidentiality of information they receive and may not improperly share this information with other Affiliate or Nonpublic Utility Operation employees who are not permitted to have access to this information. Employee training or information technology non-disclosure statements may be used to communicate these requirements.
 - DEC/DEP/Piedmont and DEBS’s employees with access to CSOI may not act as an improper conduit of this information. For example, employees must not provide indirect access to the data, or recommend action based on the CSOI, to any DEBS or other Affiliate or Nonpublic Utility Operations employees who have not been granted proper access to the information.
- ***Any improper disclosure of CSOI requires promptly filing a statement with the NCUC in Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A, and G-9, Sub 682A, respectively, describing the circumstances of the disclosure, the CSOI disclosed, the results of the disclosure, and the mitigating and/or other steps taken to address the disclosure, and the Legal Department must be informed of the disclosure to facilitate this notification.***

3. Market and Transmission Information

- The FERC Affiliate Restrictions and the Standards of Conduct prohibit the disclosure of DEC/DEP/Piedmont's market information and non-public transmission information to a market-regulated power sales affiliate (otherwise known as a non-regulated affiliate). FERC defines market information as: "non-public information related to the electric energy and power business including, but not limited to, information regarding sales, cost of production, generator outages, generator heat rates, unconsummated transactions, or historical generator volumes. Market information includes information from either affiliates or non-affiliates." The FERC Standards of Conduct prohibit the disclosure of DEC/DEP/Piedmont's non-public transmission system information to marketing function employees. Information regarding the Standards of Conduct and inappropriate disclosures is explained in Duke Energy's FERC Standards of Conduct Compliance Procedures found at www.ferc.duke-energy.com.
- Any handling or disclosure of DEC/DEP/Piedmont's market information or non-public transmission information by DEBS or its employees which results in (a) a violation of the FERC Affiliate Restrictions or Standards of Conduct, (b) the posting of such data on an OASIS or other Internet website, or (c) other public disclosure of the data, requires that DEC/DEP promptly file a statement with the NCUC. ***The Legal Department must be informed of any such occurrence to facilitate this notification.***

C. AFFILIATE AGREEMENTS

1. Filing Requirements

- Before DEC/DEP/Piedmont may make payment to an Affiliate for services not already approved, it must obtain prior NCUC approval.
- DEC/DEP/Piedmont must file all other affiliate agreements with the NCUC for notice. This notice must be at least 60 days in advance of the transfer of DEC/DEP/Piedmont's technology or trade secrets, provided, however, that DEC, DEP, and Piedmont are not required to provide advance notice for such transfers to each other.
- Before filing an affiliate agreement with the NCUC, DEC/DEP/Piedmont must submit it, unsigned, to the Public Staff-at least 15 days in advance for informal review.
- DEC/DEP/Piedmont must make available to the ORS copies of affiliate agreements involving payment by DEC/DEP/Piedmont to an Affiliate.
- **Service Level Agreements ("SLA")** may be considered affiliate agreements that trigger these filing and approval requirements. ***Contact the Legal Department before entering into an SLA between DEC/DEP/Piedmont and any Affiliate.***
- DEC/DEP/Piedmont must obtain PSCSC approval prior to the transfer of any utility asset valued at greater than \$1 million to any party; and must provide 30 days advance notice to the NCUC prior to the transfer of any utility asset with a gross book value in excess of \$10 million to any party.
- Under both North and South Carolina law, DEC/DEP/Piedmont bear the burden of

showing that affiliate transactions are reasonable and prudent.

➤ **Existing Agreements**

- Copies of filed affiliate agreements are available for review on the State Regulatory Compliance Portal.
- On August 26, 2016, DEC, DEP, and Piedmont jointly filed in Docket Nos. E-2, Sub 1095A, E-7, Sub 1100A, and G-9, Sub 682A the following affiliate agreements to which they were parties:
 - Service Company Utility Service Agreement
 - Operating Companies Service Agreement
 - Operating Companies/Non-Utility Companies Service Agreement
 - Tax Sharing Agreement
 - Intercompany Asset Transfer Agreement
 - Utility Money Pool Agreement
- DEC and DEP are also parties to the Nuclear Services Agreement, which they jointly filed at the NCUC on December 1, 2011, in Docket Nos. E-2, Sub 998A and E-7, Sub 986A.
- Brief descriptions of these agreements follow:
 - Service Company Utility Service Agreement – It is expected that Franchised Electric & Gas employees whose job responsibilities involve providing certain services to different operating companies will be employed by DEBS and will provide services to DEC/DEP/Piedmont as well as the other Utility Affiliates¹ under this agreement.
 - Operating Companies Service Agreement – Under this agreement, DEC/DEP/Piedmont and their Utility Affiliates may provide certain services to each other. With the exception of DEC/DEP/Piedmont providing services for each other, the Utility Affiliates will request services from each other using Service Request for Affiliates form.
 - Operating Companies/Non-Utility Companies Agreement – Under this agreement, DEC/DEP/Piedmont and their non-utility Affiliates may provide certain services to each other under a Service Request for Affiliates form.
 - Nuclear Services Agreement – Under this agreement, DEC, DEP, and Duke Energy Florida, LLC, may provide certain various services to each other to support management and operation of the nuclear plants.
 - Tax Sharing Agreement – The Tax Sharing Agreement, which is an agreement for the filing of consolidated income tax returns and for allocation of consolidated income tax liabilities and benefits.
 - Intercompany Asset Transfer Agreement – The Intercompany Asset Transfer Agreement, which is an agreement that allows DEC, DEP, Piedmont and their

¹ “Utility Affiliates” means the regulated public utility operations of Duke Energy Indiana, LLC, Duke Energy Kentucky, Inc., Duke Energy Florida, LLC, and Duke Energy Ohio, Inc.

regulated utility affiliates to transfer assets to one another.

- Utility Money Pool Agreement – The Utility Money Pool Agreement, which is an agreement that allows the parties to borrow funds on a short-term basis and to create a cash management program.
- Pursuant to North Carolina Regulatory Condition No. 5.4, DEC/DEP/Piedmont filed lists with the NCUC of the services they intend to obtain from their affiliates under the affiliate Service Agreements. Before receiving any services that are not on the appropriate list, DEC/DEP/Piedmont must give the NCUC **15 days advance notice**.
- With the exception of the Nuclear Services Agreement, which was last filed with the NCUC on June 30, 2014, these agreements supersede in their entirety DEC's affiliate service agreements previously filed in Docket Nos. E-7, Sub 795A and E-7, Sub 810; and DEC's and DEP's affiliate service agreements previously filed in Docket Nos. E-7, Sub 986A and E-2, Sub 998A.
- *Contact the Legal Department before obtaining or providing goods or services from or to an Affiliate that are not covered by Affiliate Agreements.*

D. COST ALLOCATION & TRANSFER PRICING RULES

1. Cost Allocations

- **Corporate Governance and Shared Services**
 - DEC/DEP/Piedmont and their Affiliates may use joint corporate oversight, governance, corporate support and utility support systems and personnel. These services are provided by DEBS under the Service Company Utility Service Agreement (see Affiliate Agreements above).
 - Costs must be allocated or charged back on a fully distributed cost basis and are subject to review by state regulators. Charging methods are described in the applicable Service Agreement.
 - DEC/DEP/Piedmont must perform periodic evaluations that show shared services are cost-beneficial to it on a service by service basis.
- **Joint Purchases**
 - **Generally:** DEC/DEP/Piedmont and their Utility Affiliates may capture economies of scale in joint purchases of goods and services (*excluding*: electricity or ancillary services intended for resale unless such purchase is made pursuant to a Commission-approved contract or service agreement – see special provision below) or the joint development of an asset if (a) the purchase results in cost savings to DEC/DEP/Piedmont's Customers, and (b) the costs are allocated appropriately and an audit trail maintained.

- ***Coal and Natural Gas:*** DEC/DEP/Piedmont and their Utility Affiliates may capture economies-of-scale in joint purchases of coal and natural gas for consumption, if these purchases result in cost savings to DEC/DEP/Piedmont's Customers. All joint purchases entered into pursuant to this section shall be priced in a manner that permits clear identification of each participant's portion of the purchases and shall be reported in DEC's, DEP's and Piedmont's affiliated transaction reports filed with the Commission.
- ***The Legal Department must be informed of any such transfer to facilitate this notification.***

2. Transfer Pricing Rules

- **Types of Transactions**
 - **Affiliate or Nonpublic Utility Operation Providing Goods or Services to DEC/DEP/Piedmont**
 - Refer to "Filing Requirements" above.
 - DEC/DEP/Piedmont must perform a "make or buy" analysis.
 - For goods and services provided to DEC/DEP/Piedmont by Duke Energy Corporation, a Non-Utility Affiliate, or a Nonpublic Utility Operation, the transfer prices should be the lower of the supplier's fully distributed cost or market value.
 - For goods and services provided to DEC/DEP/Piedmont by each other or another Utility Affiliate, the transfer price should be the supplier's fully distributed cost.
 - Transfer pricing rules apply to Affiliates acting as subcontractors to other Affiliates providing goods or services to DEC/DEP/Piedmont.

Exceptions:

- Corporate governance, corporate services and utility support services (discussed above) may be provided at fully distributed cost.
- **DEC/DEP/Piedmont Providing Utility Services to Affiliates/ Nonpublic Utility Operations**
 - Refer to "Filing Requirements" above.
 - Tariffed services provided by DEC/DEP/Piedmont to Duke Energy, other Affiliates, or a Nonpublic Utility Operation shall be provided at the same prices and terms that are made available to Customers having similar characteristics with regard to Utility Services.
 - Untariffed services provided by DEC/DEP/Piedmont to Duke Energy, a Non-Utility Affiliate, or a Nonpublic Utility Operation should be transferred at the higher of market value or DEC's, DEP's, or Piedmont's fully distributed cost.
 - Untariffed services provided by DEC/DEP/Piedmont to each other or another Utility Affiliate should be transferred priced at the supplier's fully distributed cost.
 - Loaned Employees
 - DEC/DEP/Piedmont may assign an employee to an Affiliate or Nonpublic

Utility Operations if the assignment does not interfere with or impair DEC/DEP/Piedmont's utility responsibilities or business operations.

- Responsibility for all liabilities to third parties and any legal or other related expenses that arise in connection with the work of the employee lies with the Affiliate.
- **DEC/DEP/Piedmont Providing Goods/Assets to Affiliates/Nonpublic Utility Operations and the transfer or Use of Utility Assets/Goods not subject to Intercompany Asset Transfer Agreement**
 - Tariffed goods provided by DEC/DEP/Piedmont to Duke Energy, other Affiliates, or a Nonpublic Utility Operations shall be provided at the same prices and terms that are made available to Customers having similar characteristics with regard to Electric Services or Natural Gas Services.
 - All Piedmont deliveries to DEC and DEP pursuant to intrastate negotiated sales or transportation arrangements and combinations of sales and transportation transactions shall be at the same price and terms that are made available to other Shippers having comparable characteristics, such as nature of service (firm or interruptible, sales or transportation), pressure requirements, nature of load (process/heating/electric generation), size of load, profile of load (daily, monthly, seasonal, annual), location on Piedmont's system, and costs to serve and rates. Piedmont shall maintain records in sufficient detail to demonstrate compliance with this requirement.
 - All gas supply transactions, interstate transportation and storage transactions, and combinations of these transactions, between DEC or DEP and Piedmont shall be at the fair market value for similar transactions between non-affiliated third parties. DEC/DEP/Piedmont shall maintain records, such as published market price indices, in sufficient detail to demonstrate compliance with this requirement.
 - All of the margins, also referred to as net compensation, received by Piedmont on secondary market sales to DEC and DEP shall be recorded in Piedmont's Deferred Gas Cost Accounts and shall flow through those accounts for the benefit of ratepayers. None of the margins on secondary market sales by Piedmont to DEC and DEP shall be included in the secondary market transactions subject to the sharing mechanism on secondary market transactions approved by the Commission in its Order Approving Stipulation, dated December 22, 1995, in Docket No. G-100, Sub 67. The sharing percentage on secondary market sales shall not be considered in determining the prudence of such transactions.
 - Untariffed goods provided by DEC/DEP/Piedmont to Duke Energy, a Non-Utility Affiliate, or a Nonpublic Utility Operation should be transferred at the higher of market value or DEC/DEP/Piedmont's fully distributed cost.
 - Determining the appropriate price requires consideration of fully distributed cost, market price evaluation and an appropriate allocation methodology (see below).
 - Affiliates/Nonpublic Utility Operations may use DEC/DEP/Piedmont's goods or assets without charge in connection with the performance of work for DEC/DEP/Piedmont if they would permit a third party supplier to have the same access to such goods or assets without Operations without charge.

- DEC/DEP/Piedmont may share Public Items with its Affiliates/Nonpublic Utility Operations without charge.
- No materiality threshold on transfers to/from non-Utility or non-Regulated Utility affiliates.
- *In each instance, the Legal Department must be contacted prior to any such transfer to facilitate an asset transfer agreement.*
- **Transfer of Technology or Trade Secrets**
 - *Transfer, including sublicense, of technology or trade secrets by DEC/DEP/Piedmont to an Affiliate requires 60 days prior notice to the NCUC.* Software developed by or on behalf of DEC/DEP/Piedmont typically constitutes technology or trade secrets, which may also include proprietary manuals, technical processes, etc. The following procedure should be followed in the event of a request to transfer and provide use of technology or trade secrets to an Affiliate:
 - Notice: The Code of Conduct requires 60-days' notice to the NCUC in advance of the transfer of technology or trade secrets, unless the transfer is between DEC/DEP/Piedmont. If circumstances warrant, DEC/DEP/Piedmont may request a waiver of the advance notice requirement, but the notice period CANNOT be less than 20 business days. The department (or its department financial contact) transferring or allowing use of the DEC/DEP/Piedmont technology or trade secret to an Affiliate must notify the Legal or Carolinas Rates & Regulatory Strategy Departments before the beginning of the advance notice period. Details of the transaction, including description and appropriate compensation support, sufficient to make the filing with the NCUC must be provided in time to meet the notice requirement. If the transferring department requires assistance with determining the pricing methods or other transfer requirements, additional time to consult with the Legal or Carolinas Rates & Regulatory Strategy Departments should be allowed in advance of the notice period.
 - Transfer pricing: Generally, DEC/DEP/Piedmont are compensated for such technology and trade secret transfers at the higher of market or fully-distributed cost, subject to the conditions and/or exceptions discussed in this section. Market and cost comparison procedures to be followed (as well as applicable exceptions) are further discussed in the "Pricing Rules Compliance Documentation – Transfer or Sharing of Goods/Products" section below. The transferring department, along with the department financial contact if necessary, must ensure that the appropriate accounting entries are recorded to compensate DEC/DEP/Piedmont according to the transfer pricing requirements.
 - Supporting documentation describing the technology or trade secret transferred, as well as the pricing support documentation must be maintained by the transferring department.

- **Sharing Customer Information or CSOI**

- Sharing DEC/DEP/Piedmont's Customer Information or CSOI is strictly limited, as described in Sections B.1 & B.2 above. In the event Customer Information or CSOI is provided to an affiliate (or third party other than the Customer or the Customer's designated representative or agent), the North Carolina Code of Conduct requires that all costs incurred in assembling, compiling, preparing, or furnishing the information be recovered from the requesting party.
- "All costs" means fully-distributed cost and includes any overhead or allocable cost associated with the labor cost incurred to provide the information as well as any incremental systems, materials/supplies, or other costs identified with the transaction.

Although the Customer Information or CSOI is specific to DEC/DEP/Piedmont, the employees providing the Customer Information or CSOI, or providing a service using DEC/DEP/Piedmont Customer Information or CSOI, may be utility or Service Company employees. Charging fully distributed cost must have the effect of removing the applicable labor and other dollars from either DEC/DEP/Piedmont direct charges, or from a pool of Service Company dollars, which are otherwise direct-charged, distributed, or allocated to DEC/DEP/Piedmont. The following process should be followed to bill or charge costs associated with providing Customer Information or CSOI:

- The department or group providing the Customer Information or CSOI must develop a method to price the transaction or activity (if the activity is recurring) appropriately. For example, a per-transaction price may be developed by observing the average time involved in completing a service using Customer Information, applying a proportionate labor rate plus associated overheads, then multiplying by a number of transactions (tracked or estimated) for the accounting period, to compute a charge to the Affiliate or third party. Less complex methods may be appropriate to charge for one-time or infrequent transactions.
- The department or group providing the Customer Information or CSOI will provide sufficient detail to its department financial contact to enable the contact to make the appropriate journal entry to record the charge (or to bill the third party if applicable). The department financial contact must ensure that the appropriate accounting entries are recorded.
- Supporting documentation describing the transaction, as well as the pricing determination support, must be maintained by the department providing the Customer Information or CSOI or the applicable department.

- **Wholesale Power Sales or Purchases**
 - Require FERC approval.
 - May require Advance Notice to NCUC and approval by State Commissions, depending on the circumstances.
- **Pricing Rules Compliance and Documentation**
 - **Performance of Services**
 - Every DEC/DEP/Piedmont department that performs services for Affiliates should conduct, or cause to be prepared, a periodic market analysis to compare the department's current fully distributed cost to the equivalent market prices. Similarly, when it obtains services from an Affiliate (other than Corporate Governance and Shared Services or under the Utility-to-Utility exception), each DEC/DEP/Piedmont department should perform, or ensure that the Affiliate performs a market comparison for such services and documents its rationale for selecting the Affiliate.
 - **Transfer or Sharing of Goods/Products**
 - DEC/DEP/Piedmont should conduct periodic market to current cost comparisons for utility assets such as facilities, vehicles, equipment and information technology property, which are shared with or used by Affiliates. The market versus cost evaluation is applicable to any such assets provided on an ongoing basis or as the result of an individual transaction. Similarly, when DEC/DEP/Piedmont uses assets owned by an Affiliate, they should perform or ensure that the Affiliate performs a market comparison for such assets.

For the transfer or sharing of items developed, created or constructed by DEC/DEP/Piedmont or an Affiliate (regardless of whether the item is a capital asset), DEC/DEP/Piedmont departments should perform a market comparison to determine the appropriate price, taking into consideration the following as applicable:

- The fully distributed cost to DEC/DEP/Piedmont or the affiliate to develop the item;
- The appropriate allocation of such costs for items that will be shared, such as software;
- The market price to purchase the item “off the shelf”, if available; and
- The market price to hire a professional to develop the item.

Exceptions:

- ***No Comparable Market Exception.*** If no comparable market exists, the goods or services should be priced at fully distributed costs. A DEC/DEP/Piedmont department relying on this exception should document how it determined that no comparable market exists.
- ***Joint Purchase/Development Exception.*** The Code permits the use of shared corporate governance and shared support and permits joint purchases among

DEC/DEP/Piedmont and their affiliates. Therefore, Duke Energy may establish a project to jointly develop an item to be used by multiple business units, including DEC/DEP/Piedmont, provided that the costs are allocated appropriately and accounting records are maintained to reflect the cost sharing. Similarly, DEC/DEP/Piedmont and their affiliates may jointly procure goods or services from third-party suppliers.

- ***Use of Assets in the Performance of Services.*** Affiliates may use DEC/DEP/Piedmont goods or assets without charge in connection with the performance of work for DEC/DEP/Piedmont if DEC/DEP/Piedmont would permit a third-party supplier to have the same access to such goods or assets without charge.

E. REGULATORY OVERSIGHT

- DEC/DEP/Piedmont are required to file a detailed Carolinas CAM and Annual Affiliate Transactions Report with the NCUC. The CAM and Report are subject to regular audit by the Public Staff.
- DEC/DEP/Piedmont are also required to maintain information on affiliate transactions for review by the PSCSC and ORS upon request.
- Corporate Audit Services performs an annual audit of Affiliate transactions.
- Independent audit of transactions under the Services Agreements occurs no less than every 2 years.

F. COMPLAINT PROCEDURE

The Code of Conduct requires DEC/DEP/Piedmont to follow established procedures to resolve any complaints that may arise due to the relationship of DEC/DEP/Piedmont with Duke Energy Corporation, its other Affiliates, or its Nonpublic Utility Operations. Complaints could originate from any source, including customers, potential suppliers, alliance partners, competitors, etc., or could be referred to DEC/DEP/Piedmont by the NCUC, PSCSC, Public Staff, or ORS. The following steps comprise the procedure to follow in the event of a complaint:

- Any verbal or written complaints will be referred to the Duke Energy Regulatory Affairs contact below (written complaints forwarded by the NCUC, PSCSC, Public Staff or ORS are automatically received by the Regulatory Affairs team).
- The Regulatory Affairs team will provide written notice to the complainant within 15 days indicating that the complaint was received.
- The Regulatory Affairs team will conduct or coordinate the investigation of the complaint, provide the results of such investigation to the Legal Department for review and input, and report back the status or results of the review to the complainant within 60 days of receiving the complaint.
- A log of complaints received and the related documents will be maintained by the

Regulatory Affairs team for audit purposes.

Note: Any complaints received via the Ethics Line will be handled separately according to the procedures established for Ethics Line.

SUBJECT MATTER EXPERTS & RESOURCES

Name	Area	Phone
Kendrick Fentress	Legal – NC State Rules	919.546.6733
Rebecca Dulin	Legal – SC State Rules	803.988.7130
Paul Kinny	Legal – FERC Rules	980.373.6609
Alan Hutcherson	Corporate Compliance – State Rules	704.382.5667
Chris Whicker	Corporate Compliance – FERC Rules	704.382.2869
Laura Bateman	Carolinas Rates & Regulatory Strategy	919.546.3324

Note: Department financial contacts referred to in the guidelines above are in the Financial Planning and Analysis organization.

F. SHARED SERVICES COST DISTRIBUTION PROCESS

Services designated as “shared support,” for purposes of the North Carolina Regulatory Conditions and Code of Conduct, are Services that are corporate or general utility in nature and are used by multiple business units. These services are provided pursuant to a Utility Service Agreement filed with the NCUC.

The list of services conforms to the service category descriptions included in Attachment 2 of the Service Company Utility Service Agreement, and represents the shared services offered that DEC, DEP, and Piedmont intend to obtain under this agreement. DEC, DEP, and Piedmont are required by the North Carolinas Utilities Commission to update the list of services as necessary. Interim changes to this list require filing with the Commission, with 15 days advance notice of the proposed changes.

The shared services cost distribution process is the method by which costs of the Services Company are fully distributed.

The objectives of the cost distribution process are to:

- Meet regulatory requirements.
- Ensure that each affiliate shares in and is appropriately charged for the relevant shared services costs.
- Assist affiliates in understanding the cost drivers and basis for allocation of shared services costs that affect their operating results.
- Provide an accounting model whereby affiliates can see how much is allocated to them for each shared service.

Costs for shared services are distributed to affiliates within Duke Energy through (i) direct charges, (ii) distribution or (iii) allocation. Costs are direct charged to the extent possible. Costs that cannot be direct charged can be distributed to the applicable business units using specific percentages if known. Costs that cannot be direct charged or distributed are allocated to the business units receiving the benefit using reasonable allocation methods as described in the “Shared Services Cost Distribution Details” section of this manual. Services are charged to

Affiliates on a fully distributed cost basis and include labor and non-labor costs. As part of a fully distributed cost, an overhead component is charged to Affiliates as a percentage of Service Company labor costs, whether direct charged, distributed or allocated. This overhead represents the cost of shared services provided by shared services employees.

The Corporate Accounting group is responsible for developing the following allocation factors, which serve as the basis for the allocation of costs that have not been direct charged or distributed. Final allocation factors distributing costs to each affiliate sum to 100% for each cost pool, thus clearing out 100% of costs to be allocated each month. Interim adjustments to allocation factors are made only for material transactions, such as an acquisition or divestiture of an affiliate, and for major company reorganizations.

Corporate Accounting reviews Service Company allocation factors annually. Typically during the budget process, rates are recalculated and implemented for actuals at the beginning of the following year. These rates are reflected in the Service Company allocation rate schedule included in the Cost Allocation Manual.

The Service Company also charges for certain services under the Service Company Utility Service Agreement. Types of pass-through costs typically handled by the Service Company may include:

1. Finance & Accounting Services
2. Insurance Premium Expense
3. Advertising Expense
4. Community Relations Projects
5. Donations
6. Employee Benefits Expense
7. Dues / Subscriptions
8. Merger Execution Costs
9. Research & Development
10. Miscellaneous Lease / Rent Expense

G. GUIDELINES AND PROCEDURE FOR CHARGING DEC/DEP/PIEDMONT FOR COSTS ORIGINATING WITH THE SERVICE COMPANY

On a regular basis, Service Company employees provide support to DEC/DEP/Piedmont. All Service Company resources used to support DEC/DEP/Piedmont must properly charge the respective utility through (i) direct charges, (ii) distribution or (iii) allocation. Charging fully distributed cost to DEC/DEP/Piedmont is normally accomplished with the application of a percentage loaded on direct labor. Service Company management is accountable for employees appropriately charging their costs. An Affiliate Rules and Transactions Computer Based Training (“CBT”) (emphasis on DEC/DEP/Piedmont) is available in the Training Connection on the Portal.

The following procedure addresses employees’ and management’s responsibilities.

A. General Guidelines

1. Consistent with Regulatory Condition No. 5.5, hours worked by Service Company employees in direct support of DEC/DEP/Piedmont are charged directly to the respective utility to the maximum extent practicable.
2. First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by Service Company to DEC/DEP/Piedmont (timesheets, employee expenses, etc.).
3. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility center to DEC/DEP/Piedmont.
4. Service Company to DEC/DEP/Piedmont transactions are covered under the Service Company Utility Agreement.

B. Time Reporting

When a Service Company employee provides direct support to DEC/DEP/Piedmont: Consistent with Regulatory Condition No. 5.5, hours worked by Service Company employees in direct support of DEC/DEP/Piedmont are charged directly to the respective utility to the maximum extent practicable.

1. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for vacation carryover or paid supplemental compensation.
2. The financial system will automatically load time reported to DEC/DEP/Piedmont with labor loads of fringe benefits, payroll taxes, incentive pay and unproductive time, as applicable.

C. Labor Allocations

Service Company employees provide services to DEC/DEP/Piedmont at fully distributed cost. Allocation of costs described in items 1 through 5 below are applied as a cost factor to labor charged to DEC/DEP/Piedmont. Below are the various cost components of labor loads. The rates for these items may be adjusted during the year to properly accrue the associated actual or anticipated cost.

1. Fringe Benefit Allocation

Fringe benefits are employee benefits such as retirement, and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among Affiliates.

2. Payroll Tax Allocation

Payroll taxes include state unemployment, federal unemployment, social security and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among Affiliates.

3. Incentive Allocation

Incentives are accrued via a loading factor applied to labor charges.

4. Unproductive Cost Allocation

An unproductive cost allocation is applied to productive labor charges by the Service Company employee. Service Company allocates unproductive costs pro rata to productive labor, either via a monthly ratio or standard rates.

5. Service Company Overhead

A Service Company overhead rate is based on historical enterprise and governance overhead charged to Regulated Utilities in the following functions: Information Systems, Transportation, Human Resources, Materials Management, Accounting, Public Affairs, Legal, Finance, Facilities, Internal Auditing, Environmental, Health and Safety, Investor Relations, Planning, and Executive.

H. SHARED SERVICES COST DISTRIBUTION DETAILS

See the following charts for descriptions of services provided and associated allocation methods and factors.

2018 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS													
Function	Function Description	Allocation Method	Operating Unit (OU)	Allocation Pool	Alloc Pool Description	St Cd	DEG Total	DEP Total	DEF Total	DEI Total	DEK Total	DEO Total	Electric Utilities Total
Information Systems	Development and support of mainframe computer software applications.	Number of Central Processing Unit Seconds Ratio/Thousands of	ENMF	ENTCUMR	Mainframe Svcs Ent	P05	67.52	-	-	12.10	2.07	10.55	92.24
			PRMF	PRECDUMR	Mainframe Svcs Ent PE	S05	-	57.73	42.27	-	-	-	100.00
			DEMF	DETCUMR	Mainframe Svcs Ent	D05	46.38	15.15	11.10	8.31	1.42	7.24	89.60
			PUMF	PRCDUMR	Mainframe Svcs Utility PE	P11	-	57.73	42.27	-	-	-	100.00
			ENWS	ENTWKSWS	Worksta Svcs Enterprise	S06	80.98	-	32.60	9.30	0.67	2.42	93.37
			PRWS	PREWKSWS	Worksta Svcs Enterprise PE	P06	-	66.28	32.60	-	-	-	98.88
			DWSE	DENTWKSWS	Worksta Svcs Enterprise DUK	D06	40.62	29.03	14.28	4.67	0.35	1.20	90.15
			PUMS	PRUMKSWS	Worksta Svcs Utility PE	P12	-	66.28	32.60	-	-	-	98.88
			ENWS	ENTSVSVR	Server Svcs Enterprise	S07	52.32	-	-	18.86	3.28	-	84.97
			PRSS	PRESVSVR	Server Svcs Enterprise PE	P07	-	48.40	50.17	-	-	-	98.57
	Development and support of distributed computer software applications (e.g., servers).	Number of Info Systems Servers Ratio	DESS	DENTSVSVR	Server Svcs Enterprise DUK	D07	28.13	17.76	18.42	10.14	1.76	5.65	81.86
			UTSS	UTSVSVR	Server Svcs Utility	S13	28.56	18.03	18.71	10.30	1.79	5.75	83.14
			PUS5	PRUSVSVR	Server Svcs Utility PE	P13	-	48.40	50.17	-	-	-	98.57
			ENTS	ENTEMTEL	Telecom Svcs Enterprise	S33	76.31	-	-	13.03	1.13	2.48	92.95
			PRTS	PREMTEL	Telecom Svcs Enterprise PE	P33	-	64.41	34.45	-	-	-	98.86
			DETS	DENTMTEL	Telecom Svcs Enterprise DUK	D33	37.73	26.98	14.42	6.44	0.56	1.22	87.35
Meters	Procures, tests and maintains meters.	Number of Customers Ratio	UTMS	UTMUSMTR	Meter Svcs Utility DE	D14	28.01	16.96	19.45	8.95	1.55	7.79	82.71
			UMMS	UTMUSMTR	Meter Svcs Util MMOnly Elec/Gas	S60	-	-	-	37.25	6.43	32.41	76.09
			UEMS	UTECUSMTR	Meter Svcs Util MMW Elec	S68	-	-	-	48.94	8.46	42.60	100.00
			DUNE	DUTEMPEVH	Transp Vehicles Utility DE	D10	38.83	27.70	14.92	6.73	0.76	1.48	90.42
			UMVE	UTMPEVH	Transp Vehicles Util MMW only	S65	-	-	-	69.35	7.81	15.22	92.38
			DGAV	DGOV3FAVI	Transp Aviation Gvrnce	D61	35.41	23.35	15.93	10.51	1.02	3.24	89.48
			DEAV	DENT3FAVI	Transp Aviation Svcs Ent DE	D03	35.42	23.35	15.93	10.52	1.02	3.24	89.50
			UTTR	UTRMTR	ESS Elec Tran Utility	S15	40.72	19.49	16.20	16.14	0.33	7.12	100.00
			UMTR	UTRMTR	ESS Elec Tran Utility - MW	S96	-	-	-	68.43	1.39	30.18	100.00
			UTDI	UTDMEDT	ESS Elec Dist Utility	S16	38.86	25.46	17.05	11.29	1.09	6.25	100.00
	Services related to transmission system:	Circuit Miles of Electric Transm Lines Ratio	UMDI	UTDMEDT	ESS Elec Dist Utility MMW only	S57	-	-	-	60.60	5.84	33.56	100.00
			DEAV	DENT3FAVI	Transp Aviation Svcs Ent DE	D03	35.42	23.35	15.93	10.52	1.02	3.24	89.50
			UTTR	UTRMTR	ESS Elec Tran Utility	S15	40.72	19.49	16.20	16.14	0.33	7.12	100.00
			UMTR	UTRMTR	ESS Elec Tran Utility - MW	S96	-	-	-	68.43	1.39	30.18	100.00
			UTDI	UTDMEDT	ESS Elec Dist Utility	S16	38.86	25.46	17.05	11.29	1.09	6.25	100.00
			UMDI	UTDMEDT	ESS Elec Dist Utility MMW only	S57	-	-	-	60.60	5.84	33.56	100.00
Marketing and Customer Relations Grid Solutions - Advises the Client Companies in relations with domestic utility customers.	Design and administration of market solutions standard and/or operational programs.	Number of Customers Ratio	PUSD	PRUSALMCR	M&CR SALES & Demand Util PE	P17	-	46.58	53.42	-	-	-	100.00
			NET	UTISALNET	Customer Strategy P&S	S75	60.51	-	-	19.33	3.34	16.82	100.00
			STD	UTISALSTD	Standard Services	S17	53.84	-	-	17.19	2.97	14.96	88.96
			MSST	UTMSOLSTD	Market Sol - Legacy Duke	D98	60.51	-	-	19.33	3.34	16.82	100.00
			UMSD	UTMSALNET	M&CR Standard Prod Util MMWonly	S68	-	-	-	37.25	6.43	32.41	76.09
			UMNT	UTMSALSTD	M&CR Net Product Util MMW only	S68	-	-	-	37.25	6.43	32.41	76.09
			UESD	UTMSALMCR	M&CR Sis&Dmnd Util MMW Elec only	S66	-	-	-	48.94	8.46	42.60	100.00
			UGSD	UTGSALMCR	M&CR Sale&Demand Util MMW Gas only	S67	-	-	-	-	-	-	-
			DTNT	DUTCUSMCR	M&CR Elec Only Util DE	D75	33.88	20.50	23.51	10.82	1.87	9.42	100.00
			UTNT	UTISANET	M&CR Electric Utility	S75	60.51	-	-	19.33	3.34	16.82	100.00
	Customer meter reading, billing and payment processing. Market Solutions non P&L processes.	Number of Customers Ratio	UTMR	UTMUSPMT	M&CR Mtr Rdg&Pmt Proc Util	S37	53.84	-	-	17.19	2.97	14.96	88.96
			DUMR	DUTMUSPMT	M&CR Customers Util ND	D37	31.67	19.17	21.99	10.12	1.75	8.80	93.50
			DUMS	DUTICUSPAY	Market Sol - All Utility Sol	D95	33.88	20.50	23.51	10.82	1.87	9.42	100.00
			UMMR	UTMUSPMT	M&CR MtrRdg&PmtPrC Util MMWonly	S60	-	-	-	37.25	6.43	32.41	76.09
			UOMR	UTOCUSPMT	M&CR MtrRdg&PmtPrC DEO DEK only	S59	-	-	-	-	10.25	51.64	61.89
			DCTH	DGOVCUSCTA	CTA Governance Cus DE	D65	31.67	19.17	21.99	10.12	1.75	8.80	93.50

Duke Energy Carolinas, LLC , Docket No. E-7, Sub 1100A,
Duke Energy Progress, LLC, Docket No. E-2, Sub 1095A and
Piedmont Natural Gas Company, Inc., Docket No.G-9, Sub 682A
Cost Allocation Manual

2018 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS													
Function	Function Description	Allocation Method	Operating Unit (OU)	Allocation Pool	A/bc Pool Description	St. Cd	PIRG Total	DEK-Gas Total	DEK-Gas Total	Trans-Gas Total	Gas Utilities Total	Comm Pwr Total	Other Total
Information Systems	Development and support of mainframe computer software applications.	Number of Central Processing Unit Seconds Ratio/Thousands of	ENMF PRMF DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR	ENTCUMFR PRECMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR	Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE	R05	-	1.48	6.28	-	7.76	-	-
						D05	5.07	1.01	4.32	-	10.40	-	-
						P11	-	-	-	-	-	-	-
						S06	-	0.36	1.52	-	1.88	3.48	1.27
						R06	-	-	-	-	-	-	1.12
						D06	6.05	0.18	0.76	-	6.99	1.74	1.00
						P12	-	-	-	-	-	-	1.12
						S07	-	2.18	9.27	-	11.45	1.82	1.76
						R07	-	-	-	-	-	-	1.43
						D07	9.52	1.18	4.99	-	15.69	0.98	1.47
						S13	9.66	1.19	5.05	-	15.90	-	0.96
						P13	-	-	-	-	-	-	1.43
						S33	-	0.61	1.55	-	2.16	3.56	1.33
						R33	-	-	-	-	-	-	1.14
						D33	8.68	0.30	0.77	-	9.75	1.76	1.14
						S34	-	0.31	0.78	-	9.93	-	1.16
						D34	-	0.63	1.61	-	2.24	-	1.38
						S33	-	0.61	1.55	-	2.16	3.56	1.33
						D33	8.68	0.30	0.77	-	9.75	1.76	1.14
						P33	-	-	-	-	-	-	1.14
Meters	Information systems management and support services.	No. of Personal Computer Workstations Ratio	ENMF PRMF DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR	ENTCUMFR PRECMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR DENTCUMFR	Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE Mainframe Svcs Ent Mainframe Svcs Ent PE	D14	11.54	1.08	4.67	-	17.29	-	-
						S60	-	4.48	19.43	-	23.91	-	-
						S58	-	-	-	-	-	-	-
						D10	8.84	0.14	0.60	-	9.58	-	-
						S65	-	1.41	6.21	-	7.62	-	-
						D01	5.47	0.35	1.63	0.02	7.47	2.99	0.06
						S03	5.47	0.35	1.63	0.02	7.47	2.99	0.04
						S15	-	-	-	-	-	-	-
						S96	-	-	-	-	-	-	-
						S16	-	-	-	-	-	-	-
						S57	-	-	-	-	-	-	-
						P17	-	-	-	-	-	-	-
						S75	-	-	-	-	-	-	-
						S17	-	2.07	8.97	-	11.04	-	-
						D98	-	-	-	-	-	-	-
						S68	-	4.48	19.43	-	23.91	-	-
						S68	-	4.48	19.43	-	23.91	-	-
						S66	-	-	-	-	-	-	-
						S67	-	18.75	81.25	-	100.00	-	-
						D75	-	-	-	-	-	-	-
						S75	-	-	-	-	-	-	-
						S37	-	2.07	8.97	-	11.04	-	-
						D37	-	1.22	5.28	-	6.50	-	-
						D95	-	-	-	-	-	-	-
						S60	-	4.48	19.43	-	23.91	-	-
						S59	-	7.15	30.96	-	38.11	-	-
						D05	-	1.22	5.28	-	6.50	-	-
Electric System Maintenance	Services related to transmission system:	Circuit Miles of Electric Transm Lines Ratio	UTR UMTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR	UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR UTR	ESS Elec Tran Utility ESS Elec Tran Utility - MW ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility ESS Elec Tran Utility	S15	-	-	-	-	-	-	-
						S96	-	-	-	-	-	-	-
						S16	-	-	-	-	-	-	-
						S57	-	-	-	-	-	-	-
						P17	-	-	-	-	-	-	-
						S75	-	-	-	-	-	-	-
						S17	-	2.07	8.97	-	11.04	-	-
						D98	-	-	-	-	-	-	-
						S68	-	4.48	19.43	-	23.91	-	-
						S68	-	4.48	19.43	-	23.91	-	-
						S66	-	-	-	-	-	-	-
						S67	-	18.75	81.25	-	100.00	-	-
						D75	-	-	-	-	-	-	-
						S75	-	-	-	-	-	-	-
						S37	-	2.07	8.97	-	11.04	-	-
						D37	-	1.22	5.28	-	6.50	-	-
						D95	-	-	-	-	-	-	-
						S60	-	4.48	19.43	-	23.91	-	-
						S59	-	7.15	30.96	-	38.11	-	-
						D05	-	1.22	5.28	-	6.50	-	-
Marketing and Customer Relations Grid Solutions	Design and administration of market solutions standard and/or operational programs.	Number of Customers Ratio	PUSD NET STD MSST UMSD UMNT UESD UGSD DTNT UTNT UTMR DUMR DUMR DUMR DUMR DUMR DUMR DUMR DUMR DUMR	PRUSALMCR UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET UTUSALNET	M&CR Sales & Demand Util PE Customer Strategy P&S Standard Services Market Sol - Legacy Duke M&CR Standard Prod Util MWonly M&CR Net Product Util MW only M&CR Sls&Dmnd Util MW Elec only M&CR Sales&Demand Util MWGas only M&CR Elec Only Util DE M&CR Electric Utility M&CR Mtr Rdg&Pmt Proc Util M&CR Customers Util ND Market Sol - All Utility Sol M&CR Mtr Rdg&PmtProc Util MWonly M&CR Mtr Rdg&PmtProc Util DEK only CTA Governance Cus DE	P17	-	-	-	-	-	-	-
						S75	-	-	-	-	-	-	-
						S17	-	2.07	8.97	-	11.04	-	-
						D98	-	-	-	-	-	-	-
						S68	-	4.48	19.43	-	23.91	-	-
						S68	-	4.48	19.43	-	23.91	-	-
						S66	-	-	-	-	-	-	-
						S67	-	18.75	81.25	-	100.00	-	-
						D75	-	-	-	-	-	-	-
						S75	-	-	-	-	-	-	-
						S37	-	2.07	8.97	-	11.04	-	-
						D37	-	1.22	5.28	-	6.50	-	-
						D95	-	-	-	-	-	-	-
						S60	-	4.48	19.43	-	23.91	-	-
						S59	-	7.15	30.96	-	38.11	-	-
						D05	-	1.22	5.28	-	6.50	-	-
						D05	-	1.22	5.28	-	6.50	-	-
						D05	-	1.22	5.28	-	6.50	-	-

2018 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS													
Function	Function Description	Allocation Method	Operating Unit (OU)	Allocation Pool	Alloc: Pool Description	St Cd	DEC Total	DEP Total	DEF Total	DEI Total	DBK Total	DEO Total	Electric Utilities Total
Marketing and Customer Relations Grid Solutions - Advises the Client Companies in relations with domestic utility customers.	Customer services including the operation of call center.	Number of Customers Ratio	UEMR	UTICUSPMT	M&CR MTRIG&PmPrC Util MW/Elec	S58	-	-	-	48.94	8.46	42.60	100.00
			UMPD	UTICUSMPD	M&CR Util MW PD	S69	-	-	-	37.25	6.43	32.41	76.09
	Costs associated with Smart Grid activities	Number of Customers Ratio	DCIS	DUTICUSSYS	M&CR Cust Info Sys Util	T05	31.67	19.17	21.99	10.12	1.75	8.80	93.50
			UMPD	UTICUSMPD	M&CR PD DEO/DEK E/G	S70	-	-	-	-	10.25	51.64	61.89
			USGA	UTICUSSG	M&CR Smart Grid	S76	53.84	-	-	17.19	2.97	14.96	88.96
			USGE	UTICUSSG	M&CR Smart Grid - Electric	S77	60.51	-	-	19.33	3.34	16.82	100.00
			DSGA	DUTICUSSG	M&CR Smart Grid DUKE E/G	D89	31.67	19.17	21.99	10.12	1.75	8.80	93.50
			DSGE	DUTEQUSSG	M&CR Smart Grid DUKE Elec Only	D93	33.88	20.50	23.51	10.82	1.87	9.42	100.00
			UTSG	UTICUSSES	M&CR Customer System Util	S84	53.84	-	-	17.19	2.97	14.96	88.96
			PSGA	PUTICUSSG	M&CR Smart Grid PEC E/G	P91	-	46.58	53.42	-	-	-	100.00
			USGA	UTICUSSG	M&CR Smart Grid	S80	53.84	-	-	17.19	2.97	14.96	88.96
			USGE	UTICUSSG	M&CR Smart Grid - Electric	S81	60.51	-	-	19.33	3.34	16.82	100.00
			DSGA	DUTICUSSG	M&CR Smart Grid DUKE E/G	D90	31.67	19.17	21.99	10.12	1.75	8.80	93.50
			DSGE	DUTEQUSSG	M&CR Smart Grid DUKE Elec Only	D94	33.88	20.50	23.51	10.82	1.87	9.42	100.00
UTSG			UTICUSSES	M&CR Customer System Util	S85	53.84	-	-	17.19	2.97	14.96	88.96	
PSGA			PUTICUSSG	M&CR Smart Grid PEC E/G - Capital	P92	-	46.58	53.42	-	-	-	100.00	
Electric Transmission & Distribution Engineering & Construction	Transmission engineering and construction:	(Electric Transmission Plants) Construction - Expenditures Ratio	UTET	UTICONETR	Eng & Constr ET Utility	S18	20.23	16.31	35.54	14.44	0.50	12.98	100.00
			UEET	UTMCONETR	Eng & Constr ET Util MW only	S62	-	-	-	51.71	1.80	46.49	100.00
	Distribution engineering and construction:	(Electric Distribution Plants) Construction - Expenditures Ratio	UTED	UTICONEDT	Eng & Constr ED Utility	S30	35.97	22.52	17.56	11.20	2.64	10.11	100.00
			UEED	UTMCONEDT	Eng & Constr ED Util MW only	S61	-	-	-	46.79	11.00	42.21	100.00
Power Engineering & Construction	Designs, monitors, and supports the construction of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units or improvements to existing electric generating units. Prepares cost and schedule estimates and visits construction sites to ensure that construction activities coincide with plans.	(Electric Production Plants) Construction - Expenditures Ratio	UTEC	UTICONPWR	Eng & Constr Pwr Prod Util	S25	31.42	35.37	19.78	7.12	6.31	-	100.00
			UEEC	UTMCONPWR	Eng&Constr Pwr Prod Util MWonly	S63	-	-	-	53.03	46.97	-	100.00
			UGEG	UTMCONGAS	Eng & Constr Gas Util MW only	S64	-	-	-	-	-	-	-
							-	-	-	-	-	-	-
Human Resources	Establishes and administers policies and supervises compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. Prepares payroll and employee benefit payments. Supervises contract negotiations and relations with labor unions.	(Number of Employees Ratio)	DGAR	DGOVEMPHRS	HR Svcs Ovrrce	DC2	38.17	27.21	14.66	6.61	0.74	1.45	88.84
			DHRE	DENTEMPHRS	HR Services Enterprise DE	D04	38.17	27.21	14.66	6.61	0.74	1.45	88.84
			UTHR	UTTIEMPHRS	HR Services Utility	S38	38.83	27.70	14.92	6.73	0.76	1.48	90.42
							-	-	-	-	-	-	-
Supply Chain - Provides services in connection with the procurement of materials and contract services, processes payments to vendors, and manages material and supplies inventories.	Procurement of materials and contract services and vendor payment processing:	Procurement Spending Ratio	DUSC	DUTIPROSPC	Mats Mgmt Sply Chn Util DE	D19	40.50	22.77	18.34	11.22	1.21	3.95	98.01
			DESC	DENTPROSPC	Mats Mgmt Sply Chain Ent DE	D08	38.21	21.72	17.31	10.58	1.14	3.72	92.70
			UPPD	UTBRCPSMM	MW ELEC/GAS DELIVRY STOREROOM	S72	-	-	-	-	6.89	78.03	84.92
			UTIN	UTTIINSPC	Mats Mgmt Inventory Util	S20	14.68	25.69	28.62	16.29	0.17	14.55	100.00

2018 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS													
Function	Function Description	Allocation Method	Operating Unit (OU)	Allocation Pool	Alloc Pool Description	St Cd	PNG Total	DEK-Gas Total	DEO-Gas Total	Comm Trans-Gas Total	Gas Utilities Total	Comm Pwr Total	Other Total
Marketing and Customer Relations Grid Solutions - Advises the Client Companies in relations with domestic utility customers.	Customer services including the operation of call center.	Number of Customers Ratio	UEAR	UTICUSPAT	M&CR MtrRdg&PmPrct Utl MW/Elec	S58	-	-	-	-	-	-	-
			UWPD	UTMCLSWPD	M&CR Utl MW PD	S69	-	4.48	19.43	-	23.91	-	-
			DCIS	DUTICUSYS	M&CR Cust Info Sys_Utl	T05	-	1.22	5.28	-	6.50	-	-
			UWPD	UTMCLSWPD	M&CR PD DEO/DEK E/G	S70	-	7.15	30.96	-	38.11	-	-
			USGA	UTICUSSG	M&CR Smart Grid	S76	-	2.07	8.97	-	11.04	-	-
			USGE	UTICUSSG	M&CR Smart Grid - Electric	S77	-	-	-	-	-	-	-
			DSGA	DUTICUSSG	M&CR Smart Grid DUKE E/G	D89	-	1.22	5.28	-	6.50	-	-
			DSGE	DUTICUSSG	M&CR Smart Grid DUKE Elec Only	D93	-	-	-	-	-	-	-
			UTSG	UTICUSSES	M&CR Customer System Utl	S84	-	2.07	8.97	-	11.04	-	-
			PSGA	PUTICUSSG	M&CR Smart Grid PEC E/G	P91	-	-	-	-	-	-	-
Electric Transmission & Distribution Engineering & Construction	Transmission engineering and construction.	(Electric Transmission Plants) Construction - Expenditures Ratio	USGA	UTICUSSG	M&CR Smart Grid	S80	-	2.07	8.97	-	11.04	-	-
			USGE	UTICUSSG	M&CR Smart Grid - Electric	S81	-	-	-	-	-	-	-
			DSGA	DUTICUSSG	M&CR Smart Grid DUKE E/G	D90	-	1.22	5.28	-	6.50	-	-
			DSGE	DUTICUSSG	M&CR Smart Grid DUKE Elec Only	D94	-	-	-	-	-	-	-
			UTSG	UTICUSSES	M&CR Customer System Utl	S85	-	2.07	8.97	-	11.04	-	-
			PSGA	PUTICUSSG	M&CR Smart Grid PEC E/G - Capital	P92	-	-	-	-	-	-	-
			GIPA	DUTICUSGS	M&CR Grid Strat&Plan DUKE E/G	T01	-	1.22	5.28	-	6.50	-	-
			GIPA	DUTICUSGS	M&CR Grid Strat&Plan DUKE E/G - Capital	T02	-	1.22	5.28	-	6.50	-	-
			GIPE	DUTICUSGS	M&CR Grid Strat&Plan-Electric	T03	-	-	-	-	-	-	-
			GIPE	DUTICUSGS	M&CR Grid Strat&Plan-Electric - Capital	T04	-	-	-	-	-	-	-
Power Engineering & Construction	Transmission engineering and construction.	(Electric Transmission Plants) Construction - Expenditures Ratio	UTET	UTICONEIR	Eng & Constr ET Utl MW only	S18	-	-	-	-	-	-	-
			UEET	UTICONEIR	Eng & Constr ET Utl MW only	S62	-	-	-	-	-	-	-
			UTED	UTICONEIT	Eng & Constr ED Utl MW only	S30	-	-	-	-	-	-	-
			UEED	UTICONEIT	Eng & Constr ED Utl MW only	S61	-	-	-	-	-	-	-
			UTEC	UTICONPWR	Eng & Constr Pwr Prod Utl	S25	-	-	-	-	-	-	-
			UEEC	UTICONPWR	Eng&Constr Pwr Prod Utl MWonly	S63	-	-	-	-	-	-	-
			UEEG	UTICONGAS	Eng & Constr Gas Utl MW only	S64	86.38	4.32	9.30	100.00	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
Human Resources	Establishes and administers policies and supervises compliance with legal requirements of the company, including employment, compensation, benefits and employee health and safety. Processes payroll and employee benefit payments. Supervises contract negotiations and relations with labor unions.	Number of Employees Ratio	DGHR	DGOVEMPHR	HR Svcs Grnce	DG2	8.68	0.13	0.59	-	9.40	1.76	-
			DHRE	DENTEMPHR	HR Services Enterprise DE	D04	8.68	0.13	0.59	-	9.40	1.76	-
			UTHR	UTEMPHR	HR Services Utility	S38	8.84	0.14	0.60	-	9.58	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
							-	-	-	-	-	-	-
Supply Chain - Provides services in connection with the procurement of materials and contract services, processes payments to vendors, and manages material and supplies inventories.	Procurement of materials and contract services and vendor payment processing.	Procurement Spending Ratio	DUSC	DUTIPROSPC	Mats Mgmt Sply Chn Utl DE	D19	0.04	0.40	1.46	-	1.90	-	0.09
			DESC	DENTPROSPC	Mats Mgmt Sply Chain Ent DE	D08	0.04	0.38	1.37	-	1.79	5.39	0.12
			UPPD	UTBRCPSMM	MW ELEC/GAS DELIVRY STOREROOM	S72	-	4.10	10.98	-	15.08	-	-
			UTIN	UTINVSFC	Mats Mgmt Inventory Utl	S20	-	-	-	-	-	-	-
							-	-	-	-	-	-	-

2018 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS														Electric Utilities Total
Function	Function Description	Allocation Method	Operating Unit (OU)	Allocation Pool	Alloc: Pool Description	St Cd	DEC Total	DEP Total	DEF Total	DEI Total	DEK Total	DEO Total		
Facilities	Operates and maintains office & service buildings. Provides security & housekeeping services for such buildings & procures office furniture and equipment.	Square Footage Ratio	GORE	CLTSOFFAC	RE Facility Svcs CLT GO	S27	56.93	40.60	0.42	0.22	0.04	-	98.21	
			CNRE	CINSOFFAC	RE Fac Svcs - Chcnrnl	S50	22.70	16.19	-	12.09	0.61	13.95	65.54	
			PLRE	PLDSOFFAC	RE Fac Svcs - Plainfield	S51	8.10	5.78	0.70	83.19	0.57	-	98.34	
			MWRE	UTMSOFFAC	RE Facility Services MW Utility	S71	-	-	-	62.10	4.44	18.98	85.52	
			DERE	DENT3FFAC	RE Facility Services Ent DE	D39	40.20	28.67	13.37	5.67	0.08	0.37	88.36	
Accounting	Maintains the books and records of Duke Energy Corporation and its affiliates, prepares financial and statistical reports, prepares tax filings and supervises compliance with the laws and regulations.	Three Factor Formula	DGAC	DOOV3FFACT	Accounting Gvrnce	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
			DOIP	DOOV3FVSP	VSP - Governance DE	DG3	37.50	24.73	16.85	11.10	1.07	3.42	94.69	
			PGVP	PRGV3FVSP	VSP - Governance	PG3	-	59.21	40.79	-	-	-	100.00	
			DEAC	DENT3FFACT	Accounting Svcs Ent DE	D03	35.42	23.35	15.93	10.52	1.02	3.24	89.50	
			UTAC	UT13FFACT	Acctg Svcs Utility	S09	36.51	24.05	16.44	10.87	1.05	3.36	92.30	
			UMAC	UTM3FFACT	Acctg Svcs Util MW FE&G only	S53	-	-	-	63.91	6.21	18.65	88.77	
			DEEP	DENT3FDEP	Svco Depreciation Enterprise DE	D49	35.42	23.35	15.93	10.52	1.02	3.24	89.50	
			PRDP	PRE3FFDEPR	Svco Depreciation Enterprise PE	P49	-	59.21	40.79	-	-	-	100.00	
			DGDC	DOOV3FDEPP	Governance CTA Depreciation DE	DG4	37.50	24.73	16.85	11.10	1.07	3.42	94.69	
			DCTG	DOOV3FCTA	Governance CTA Depreciation DE	DG3	37.50	24.73	16.85	11.10	1.07	3.42	94.69	
			PNVG	GOV3FFCTAP	Piedmont CTA Gov - Gas Only	DG7	35.41	23.35	15.93	10.51	1.02	0.04	88.50	
			PNVG	GOV3FFCTAP	Piedmont CTA Gov - Gas Only	DG6	-	-	-	-	-	-	-	
			PLDC	PRV3FFDEPP	Governance CTA Depreciation PE	PG4	-	59.21	40.79	-	-	-	100.00	
			GSAC	UT13FFGACT	Acctg Svcs Gas only	D03	-	-	-	-	-	-	-	
		Generating Unit MW Capability Ratio (MDC)	DPNL	DOOV3FDPN	Duke Progress CTA Nuclear	CG3	67.00	33.00	-	-	-	-	100.00	
		Rate of Return - Allocates the Service Company's portion of the utilities chargeback for affiliate use of space.	Three Factor Formula	DURR	DGOVEMROR	Facilities ROR Gvrnce	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48
Power Planning and Operations - Coordinates the planning, management, and operation of Duke Energy Corp's electric power systems including the planning of additions and retirements to Duke Energy Corp's electric generation, transmission, and distribution systems.	Generation planning:	Elec Peak Load Ratio	DUGE	DUTPKLGPL	Pwr Png&Ops Gen Png Util ND	D21	37.74	27.69	19.94	12.88	1.75	-	100.00	
	Transmission planning:	Elec Peak Load Ratio	DUTP	DUTPKLETR	Pwr Png&Ops Trans Png Util ND	D32	37.42	23.38	19.24	11.82	1.32	6.82	100.00	
	Distribution planning:	Weighted Avg of the Crc Miles of ED Lines Ratio and the Elec Peak Load Ratio	DUDP	DUTICMEDL	Pwr Png&Ops Dist Png Util ND	D41	38.14	24.42	18.14	11.56	1.20	6.54	100.00	
	Generation Dispatch:	Sales Ratio	UTGD	UTISALGDP	Pwr Png&Ops Gen Dspch Util	S42	27.41	25.35	24.84	19.68	2.72	-	100.00	
	Transmission Operations:	Weighted Average of the Crc Miles of Elec Transm Lines Ratio and the Elec Peak Load Ratio	UTTO	UTICMIOTR	Pwr Png&Ops Trans Ops Util	S31	39.08	21.43	17.72	13.98	0.82	6.97	100.00	
Power Planning and Operations - Coordinates the energy dispatch and operation of Duke Energy Corp's electric generating units and transmission and distribution systems.	Distribution Operations:	Weighted Avg of the Crc Miles of ED Lines Ratio and the Elec Peak Load Ratio	UTDO	UTICMIODL	Pwr Png & Ops Dist Ops Util	S22	38.14	24.42	18.14	11.56	1.20	6.54	100.00	
	Power Operations - Provides management and support services for Duke Energy Corporation's electric generation system.	Generating Unit MW Capability /MDC Ratio	REPO	REGCAPOP	Pwr Png & Ops Pwr Ops Reg	S28	29.28	24.15	24.36	19.32	2.89	-	100.00	
			RLO	RCLCAPOP	Pwr Png Ops Reg Coal	D99	35.97	18.38	16.60	25.94	3.11	-	100.00	
			RCTO	RCTCAPOP	Pwr Png Ops Reg CT&CC	S98	22.15	30.30	32.65	12.26	2.64	-	100.00	
			RAMO	REGMCAPOP	Pwr Png Ops Reg MW only	S99	-	-	-	87.02	12.98	-	100.00	
Public Affairs	Prepares and disseminates information to employees, customers, government officials, communities and the media. Provides graphics, reproduction lithography, photography and video services.	Three Factor Formula	DGPA	DOGV3FFPAF	Pub Affrs Gvrnce	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
			DGPP	DOGV3FFPPO	Public Policy Gvrnce	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
			DEPA	DENT3FFPAF	Public Affairs Services Ent DE	D03	35.42	23.35	15.93	10.52	1.02	3.24	89.50	
	Utility Specific Activities	Weighted Average of # of Customers Ratio and # of Employees Ratio	UTPA	UTICUSPAF	Public Affairs Services Utilit	S24	32.78	22.98	17.18	7.84	1.15	4.63	86.56	
							-	-	-	-	-	-	-	
Legal	Provides services relating to labor and employment law, litigation, contracts, rates and regulatory affairs, environmental matters, financing, financial reporting, real estate and other legal matters.	Three Factor Formula	DLEE	DOGV3FLEEG	Legal Governance	DG1	64.62	-	-	18.83	1.82	5.76	91.07	
			ENLE	GOV3FFLEEG	Legal Governance	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
			PLDG	PRGV3FFLEEG	Legal Governance PE	PG1	-	59.21	40.79	-	-	-	100.00	
			UTLE	UT13FFLEEG	Legal Services Utility	S09	36.51	24.05	16.44	10.87	1.05	3.36	92.30	
Rates	Determines the Client Companies' revenue requirements and rates to electric and gas requirements customers. Administers interconnection and joint ownership agreements. Researches and forecasts customers' usage.	Sales Ratio	UTRA	UTISALBAT	Rates Utility	S44	28.76	20.61	13.39	10.62	1.35	6.76	81.49	
			UORA	UTOSALBAT	Rates Svcs Util DEO DEK only	S55	-	-	-	-	9.38	52.56	61.94	
			UMRA	UTMSALBAT	Rates DEO & DEK Reg	S86	-	-	-	-	8.00	39.97	47.97	
							-	-	-	-	-	-	-	

2018 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS															
Function	Function Description	Allocation Method	Operating Unit (OU)	Allocation Pool	Alloc Pool Description	SI Cd	PNG Total	DEK Gas Total	DEQ Gas Total	Comm Trans-Gas Total	Gas Utilities Total	Comm Pwr Total	Other Total	Total	
Facilities	Operates and maintains office & service buildings. Provides security & housekeeping services for such buildings & procures office furniture and equipment.	Square Footage Ratio	GOBE CINRE PLRE MWIRE DERE	CLNSOFFAC CLNSOFFAC UTMSOFFAC UTMSOFFAC DENT3FFAC	RE Facility Svcs CLT GO RE Fac Svcs - Cincinnati RE Fac Svcs - Plainfield RE Facility Services MW Utility RE Facility Services Ent DE	S27 S50 S51 S71 S89	1.67 1.42 - - 10.21	0.01 0.11 0.10 3.10 0.01	5.69 - 11.38 - 0.15	- - - - -	1.68 7.22 0.10 14.48 10.37	0.11 27.24 1.56 - 1.27	- - - - -	100.00 100.00 100.00 100.00 100.00	
	Maintains the books and records of Duke Energy Corporation and its affiliates, prepares financial and statistical reports, prepares tax filings and supervises compliance with the laws and regulations.	Three Factor Formula	DGAC DGVP PGVP DEAC UTAC UMAC DRDP PRE3FDEPR DGDC DCTG PNVG PNGG PUDC GSAC	DGOV3FFACT DGOV3FFVSP PRG33FFVSP DENT3FFACT UT13FFACT UTM3FFACT DENT3FFDEP PRE3FDEPR DGOV3FDEPR DGOV3FFCTA GOV3FFCTAP GOV3FFCTAPG PRV3FDEPR UT13FFGACT	Accounting Gvrnce VSP - Governance DE VSP - Governance Accounting Svcs Ent DE Actg Svcs Utility Actg Svcs Util MW FE&G only SvcsCo Depreciation Enterprise DE SvcsCo Depreciation Enterprise PE Governance CTA Depreciation DE CTA Governance DE Piedmont CTA Gov Piedmont CTA Gov - Gas Only Governance CTA Depreciation PE Accog Svcs Gas only	DG1 DG3 PG3 D03 S09 S53 P49 D44 DG4 DG3 D07 D66 PG4 CG3	5.47 - - 5.47 5.64 5.47 - - - 5.47 73.21 73.21 - 5.47	0.35 0.37 - 0.35 0.36 2.19 0.35 - 0.37 0.37 0.02 4.67 - 4.67	1.63 1.71 - 1.63 1.68 9.04 1.63 - 1.71 1.71 1.37 22.12 - 22.12	0.02 0.02 - 0.02 0.02 - - - 0.02 0.02 1.59 100.00 - 100.00	7.47 2.10 - 7.47 7.70 11.23 7.47 - 2.10 2.10 8.45 100.00 -	2.99 3.16 - 2.99 - - 2.99 3.16 3.16 2.99 - -	0.06 0.05 - 0.04 - - 0.04 0.05 0.05 0.06 - -	100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00	
	Rate of Return - Allocates the Service Company's portion of the utilities chargeback for affiliate use of space.	Three Factor Formula	DURR	DGOVEMPROR		Facilities ROR Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06	100.00
	Power Planning and Operations - Coordinates the planning, management, and operation of Duke Energy Corp's electric power systems including the planning of additions and retirements to Duke Energy Corp's electric generation, transmission, and distribution systems.	Generation planning:	Elec Peak Load Ratio	DUCE	DUT1PKLGR	Pwr Ping&Ops Gen Ping Util ND	D21	-	-	-	-	-	-	-	-
		Transmission planning:	Elec Peak Load Ratio	DUTP	DUT1PKLETR	Pwr Ping&Ops Trans Ping Util ND	D32	-	-	-	-	-	-	-	100.00
Distribution planning:		Weighted Avg of the Circ Miles of ED Lines Ratio and the Elec Peak Load Ratio	DUDP	DUT1CMIEEL	Pwr Ping&Ops Dist Ping Util ND	D41	-	-	-	-	-	-	-	100.00	
Generation Dispatch:		Sales Ratio	UTGD	UT1SALGDP	Pwr Ping&Ops Gen Dapch Util	S42	-	-	-	-	-	-	-	100.00	
Transmission Operations:		Weighted Average of the Circ Miles of Elec Transm Lines Ratio and the Elec Peak	UTTO	UT1CMOTR	Pwr Ping&Ops Trans Ops Util	S31	-	-	-	-	-	-	-	100.00	
Power Planning and Operations - Coordinates the energy dispatch and operation of Duke Energy Corp's electric generating units and transmission and distribution systems.	Distribution Operations:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Elec Peak Load Ratio	UTDO	UT1CMODL	Pwr Ping & Ops Dist Ops Util	S22	-	-	-	-	-	-	-	100.00	
	Power Operations - provides management and support services for Duke Energy Corporation's electric generation system.	Generating Unit MW Capability /MDC Ratio	REHO RCLO RCTO RMWO	REG3APPOP RCLCAPPOP RCTCAPPOP REGMCAPOP	Pwr Ping & Ops Pwr Ops Reg Pwr Ping Ops Reg Coal Pwr Ping Ops Reg CT&CC Pwr Ping Ops Reg MW only	S28 D99 S98 S99	- - - -	- - - -	- - - -	- - - -	- - - -	- - - -	- - - -	100.00 100.00 100.00 100.00	
	Prepares and disseminates information to employees, customers, government officials, communities and the media. Provides graphics, reproduction lithography, photography and video services.	Three Factor Formula	DGPA DGPP DEPA	DGOV3FFPAF DGOV3FFPPO DENT3FFPAF	Pub Affrs Gvrnce Public Policy Gvrnce Public Affairs Services Ent DE	DG1 DG1 D03	5.47 5.47 5.47	0.35 0.35 0.35	1.63 1.63 1.63	0.02 0.02 0.02	7.47 7.47 7.47	2.99 2.99 2.99	0.06 0.06 0.04	100.00 100.00 100.00	
	Utility Specific Activities	Weighted Average of # of Customers Ratio and # of Employees Ratio	UTPA	UT1CUSPAF	Public Affairs Services Utilit	S24	10.19	0.61	2.64	-	13.44	-	-	-	100.00
	Legal	Represents services relating to labor and employment law, litigation, contracts, rates and regulatory affairs, environmental matters, financing, financial reporting, real estate and other legal matters.	Three Factor Formula	DLEE ENLE PGLG UTLE	DGOV3FFLEG GOV3FFLEG PRG33FFLEG UT13FFLEG	Legal Governance Legal Governance Legal Governance PE Legal Services Utility	CG1 DG1 PG1 S09	- 5.47 5.64 -	0.62 0.35 0.36 -	2.87 1.63 1.68 -	0.03 0.02 0.02 -	3.52 7.47 7.70 -	5.31 2.99 - -	0.10 0.06 - -	100.00 100.00 100.00 100.00
Determines the Client Companies' revenue requirements and rates to electric and gas requirements customers. Administers interconnection and joint ownership agreements. Researches and forecasts customers' usage.		Sales Ratio	UTRA UORA UMRA	UT1SALRAT UTOSALRAT UTMSALRAT	Rates Utility Rates Svcs Util DEK DEK only Rates DEQ & DEK Reg	S44 S55 S86	9.71 - -	1.34 6.54 7.93	7.46 31.52 44.10	- - -	18.51 38.06 52.03	- - -	- - -	100.00 100.00 100.00	
							-	-	-	-	-	-	-	-	
							-	-	-	-	-	-	-	-	
							-	-	-	-	-	-	-	-	

2018 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS														
Function	Function Description	Allocation Method	Operating Unit (OU)	Allocation Pool	Alloc Pool Description	St Cd	DEC Total	DEP Total	DEF Total	DEI Total	DEK Total	DEO Total	Electric Utilities Total	
Finance	Renders services to Client Companies with respect to investments, financing, cash management, risk management, claims and fire prevention. Prepares budgets, financial forecasts and economic analyses.	Three Factor Formula	DCFI DEFI UTFI UMFI	DCOV3FEFIN	Financial Svcs Gvrnce	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
				DENT3FEFIN	Financial Svcs Enterprise DE	D03	35.42	23.35	15.93	10.52	1.02	3.24	89.50	
				UT13FEFIN	Financial Services Utility	S09	36.51	24.05	16.44	10.87	1.05	3.36	92.30	
				UTM3FEFIN	Financial Svc Util MMW FEG only	S53	-	-	-	63.91	6.21	18.65	88.77	
Rights of Way - Purchases, surveys, records, and sells real estate interests for Client Companies.	Services related to electric distribution system:	Circuit Miles of Electric Dist. Lines Ratio	DURD	DUTICMRWD	Right of Way ED Sys Util ND	D87	-	25.46	17.05	-	-	6.25	100.00	
				DUTIKLRWVG	Right of Way Gen Sys Util ND	D88	37.74	27.69	19.94	12.88	1.75	-	100.00	
				DUTICMIROW	Right of Way ET Sys Util ND	D45	-	-	-	-	-	-	-	-
				DUTICMIROW	Right of Way ET Sys Util ND	D45	40.72	19.49	16.20	16.14	0.33	7.12	100.00	
Internal Auditing	Reviews internal controls and procedures to ensure that assets are safeguarded & that transactions are properly authorized & recorded.	Three Factor Formula	DGA DUA	DCOV3FEIAU	Internal Audit Gvrnce	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
				DUT13FEIAU	Intrnl Audit Svcs Utility DE	D09	36.51	24.05	16.44	10.87	1.05	3.36	92.30	
Environmental, Health and Safety	Establishes policies and procedures and governance framework for compliance with environmental, health and safety ("EHS") issues, monitors compliance with EHS requirements and provides EHS compliance support to the Client Companies' personnel.	Three Factor Formula	DGEA ENEA	DCOV3FEENV	Envir Affrs Gvrnce	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
				ENT3FEENV	Enviro Affairs Svcs Ent	S46	35.42	23.35	15.93	10.52	1.02	3.24	89.50	
							-	-	-	-	-	-	-	-
							-	-	-	-	-	-	-	-
Fuels	Utility Specific Activities Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arrangements for transportation of the fuel to the generating stations.	Sales Ratio	UTEA UTFU	UTISALENV	Enviro Affairs Svcs Utility	S47	28.76	20.61	13.39	10.62	1.35	6.76	81.49	
				UTISALEUE	Fuels Utility	S48	27.41	25.35	24.84	19.68	2.72	-	100.00	
Investor Relations	Provides communications to investors and the financial community, performs transfer agent and shareholder record keeping functions, administers stock plans and performs stock-related regulatory reporting.	Three Factor Formula	DQIR	DCOV3FEINV	Investor Rel Gvrnce	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
							-	-	-	-	-	-	-	-
Planning	Facilitates preparation of strategic and operating plans, monitors trends and evaluates business opportunities.	Three Factor Formula	DGPS DGCD DEPS DUPS	DCOV3FEPLN	Planning Svcs Gvrnce	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
				DGOV3FECD	Corp Dlpmtnt Gvrnce	D03	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
				DENT3FEPLN	Planning Svcs Enterprise DE	D09	36.51	23.35	15.93	10.52	1.02	3.24	89.50	
				DUT13FEPLN	Planning Svcs Utility DE	D09	36.51	24.05	16.44	10.87	1.05	3.36	92.30	
Executive	Provides general administrative and executive management services.	Three Factor Formula	DGEX ENEX UTEX UMEX UOEX DGSC PSTK	DCOV3FEEX	Exec Governance	DG1	35.41	23.35	15.93	10.51	1.02	3.24	89.48	
				ENT3FEEX	Exec Services Enterprise	S03	35.42	23.35	15.93	10.52	1.02	3.24	89.50	
				UT13FEEX	Exec Services Utility	S09	36.51	24.05	16.44	10.87	1.05	3.36	92.30	
				UTM3FEEX	Executive Svc Util MMW FEG only	S53	-	-	-	63.91	6.21	18.65	88.77	
				UO3FEEX	Exec Svcs Utility DEO DEK only	S56	-	-	-	-	-	-	-	-
				GOV3FEFTK	Stock Comp Legacy DE	CG1	64.62	-	-	18.83	1.82	5.76	91.07	
Interest	Allocates Interest		PSTK DEAI	PRGV3FEFTK	Stock Comp Legacy PCN	PG1	-	59.21	40.79	-	-	-	100.00	
				DENTINTACT	Acctg Interest Svc Enterprise DE	D92	-	17.41	12.90	15.66	2.93	9.74	94.54	

2018 SERVICE COMPANY COST ALLOCATION DETAILS COST ALLOCATIONS IN SERVICE AGREEMENTS													
Function	Function Description	Allocation Method	Operating Unit (OU)	Allocation Pool	Alloc Pool Description	ST Cd	PIGS Total	DEK-Gas Total	DEO-Gas Total	Comm Trans-Gas Total	Gas Utilities Total	Comm Pwr Total	Other Total
Finance	Renders services to Client Companies with respect to investments, financing, cash management, risk management, claims and fire prevention. Prepares budgets, financial forecasts and economic analyses.	Three Factor Formula	DGF1	DGOV3FFIN	Financial Svcs Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
			DGF1	DENT3FFIN	Financial Svcs Enterprise DE	D03	5.47	0.35	1.63	0.02	7.47	2.99	0.04
			UTFI	UT13FFIN	Financial Svcs Utility	S03	5.64	0.36	1.68	0.02	7.70	-	100.00
			UMFI	UTM3FFIN	Financial Svc Util MW FEG only	S53	-	2.19	9.04	-	11.23	-	100.00
Rights of Way - Purchases, surveys, records, and sells real estate interests for Client Companies.	Services related to electric distribution system:	Circuit Miles of Electric Dist. Lines Ratio	DURD	DUTICMIRWD	Right of Way ED Sys Util ND	D87	-	-	-	-	-	-	-
			DURG	DUTIPKLRWG	Right of Way Gen Sys Util ND	D88	-	-	-	-	-	-	-
			DURW	DUTICMIROW	Right of Way ET Sys Util ND	D45	-	-	-	-	-	-	-
			DURW	DUTICMIROW	Right of Way ET Sys Util ND	D45	-	-	-	-	-	-	-
Internal Auditing	Reviews internal controls and procedures to ensure that assets are safeguarded & that transactions are properly authorized & recorded.	Three Factor Formula	DG1A	DGOV3FFIAU	Internal Audit Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
			DUIA	DUT13FFIAU	Intnl Audit Svcs Utility DE	D09	5.64	0.36	1.68	0.02	7.70	-	100.00
Environmental, Health and Safety	Establishes policies and procedures and governance framework for compliance with environmental, health and safety ("EHS") issues, monitors compliance with EHS requirements and provides EHS compliance support to the Client Companies' personnel.	Three Factor Formula	DSEA	DGOV3FFEW	Envir Affrs Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
			ENEA	ENT3FFEW	Enviro Affairs Svcs Ent	S46	5.47	0.35	1.63	0.02	7.47	2.99	0.04
Fuels	Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.	Sales Ratio	UTEA	UTISALENW	Enviro Affairs Svcs Utility	S47	9.71	1.34	7.46	-	18.51	-	100.00
			UTFU	UTISALFUE	Fuels Utility	S48	-	-	-	-	-	-	100.00
Investor Relations	Provides communications to investors and the financial community, performs transfer agent and shareholder record keeping functions, administers stock plans and performs stock-related regulatory reporting.	Three Factor Formula	DG1R	DGOV3FFINW	Investor Rel Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
			DG1R	DGOV3FFINW	Investor Rel Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
Planning	Facilitates preparation of strategic and operating plans, monitors trends and evaluates business opportunities.	Three Factor Formula	DG1R	DGOV3FFINW	Investor Rel Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
			DG1R	DGOV3FFINW	Investor Rel Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
Executive	Provides general administrative and executive management services.	Three Factor Formula	DG1R	DGOV3FFINW	Investor Rel Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
			DG1R	DGOV3FFINW	Investor Rel Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
Interest	Allocates Interest	Three Factor Formula	DG1R	DGOV3FFINW	Investor Rel Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06
			DG1R	DGOV3FFINW	Investor Rel Gvrnce	DG1	5.47	0.35	1.63	0.02	7.47	2.99	0.06

I. GUIDELINES AND PROCEDURE FOR CHARGING AFFILIATES FOR COSTS ORIGINATING WITH DEC/DEP/PIEDMONT

On occasion, DEC/DEP/Piedmont's employees may be requested to provide support, subject to availability, to Affiliates and Nonpublic Utility Operations. DEC/DEP/Piedmont's management is responsible for ensuring that use of all company resources to support Affiliate work is properly charged to the Affiliate/Nonpublic Utility Operation. Rules regarding affiliate agreements between DEC/DEP/Piedmont and any Affiliate/Nonpublic Utility Operation are described in Section E. *Guidelines for Transactions between DEC/DEP/Piedmont and Affiliates* incorporated in this CAM. DEC/DEP/Piedmont will charge the Affiliate/Nonpublic Utility Operation the higher of fully distributed cost or market value. Charging the Affiliate/Nonpublic Utility Operation either market or fully distributed cost is normally accomplished with the application of a percentage loaded on direct labor charges. Other charges may be made separately to account for vehicle charges, employee expenses, materials and supplies, contract services, etc. DEC/DEP/Piedmont's management is accountable for the review and approval of all charges from the utility in support of Affiliate/ Nonpublic Utility Operation work. An Affiliate Rules and Transactions CBT (emphasis on DEC/DEP/Piedmont) is available at:

<https://dukeenergy.sharepoint.com/sites/portal/our-company/ethics-compliance/Pages/State-Regulatory-Compliance.aspx>

Costs covered by the utility affiliate loader are handled by utility departmental allocations and a change to the Service Company allocation basis. These steps eliminate the need for a utility affiliate loader between DEC and DEP, because the costs of the utility affiliate loader are now addressed in a simplified fashion between the two Companies. The utility affiliate loader still applies for all labor charged outside of DEC and DEP to their affiliates.

The following procedure addresses employees' and management's responsibilities.

A. General Guidelines

1. Hours worked by DEC/DEP/Piedmont employees in direct support of an Affiliate/ Nonpublic Utility Operation are charged directly to the Affiliate.
2. First-line supervisors should review and approve, when appropriate, source

documentation resulting in a charge by DEC/DEP/Piedmont to an Affiliate/ Nonpublic Utility Operation (timesheets, employee expenses, etc.).

3. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility center to an Affiliate/ Nonpublic Utility Operation.
4. Transactions originating with DEC/DEP/Piedmont and charged to an Affiliate typically require the completion and approval of a Service Request form. The process and eForm can be found on the Portal under Rates & Regulatory.

B. Time Reporting

When a DEC/DEP/Piedmont employee supports an Affiliate/Nonpublic Utility Operation:

1. Hours worked by DEC/DEP/Piedmont employees in direct support of an Affiliate/Nonpublic Utility Operation are charged directly to the Affiliate/Nonpublic Utility Operation.
2. Overtime hours worked by a non-exempt employee during a week should be applied first to the Affiliate/Nonpublic Utility Operation project, up to total hours worked on the project.
 - a) If overtime pay is charged to the utility but not the Affiliate/Nonpublic Utility Operation in a time reporting period, the reason for the exception shall be fully documented and maintained by the supervisor for a minimum of two years.
 - b) For example, a non-exempt employee works 50 hours for a given week, 10 of which must be paid as overtime. Twenty of the 50 hours were in support of an Affiliate project. That project should be charged 10 hours overtime and 10 hours straight-time.
3. When an exempt employee who is paid semi-monthly provides support to an Affiliate/ Nonpublic Utility Operation, and overtime is worked, the employee's regular semi-monthly pay is prorated to the utility and the Affiliate/Nonpublic Utility Operation based on the number of hours worked for each.
4. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for vacation carryover or paid supplemental compensation.

5. The financial system will automatically load time reported to an Affiliate/Nonpublic Utility Operation with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries will be made by the business finance support group to appropriately adjust the costs to market. The overhead cost factor includes the following components: department administrative overheads, corporate governance, employee training, Service Company-related shared services, facilities, and supervisory costs.

C. Labor Allocations

DEC/DEP/Piedmont employees may provide services to their regulated Utility Affiliates at DEC's, DEP's, or Piedmont's fully distributed costs and DEC/DEP/Piedmont employees may provide services to Duke Energy Corporation, a Non-Utility Affiliate, a non-regulated Utility Affiliate or Nonpublic Utility Operation at the higher of fully distributed cost or market value, subject to certain exceptions. The mechanism for charging is generally a cost applied to labor charges and a market value journal entry if applicable. Allocation rates described in items 1 through 10 below are applied as a cost factor to direct labor charged to an Affiliate/Nonpublic Utility Operation.

Below are the various cost components of labor loads. The rates for Items 1-4 may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items 5-10 are components of Duke Energy's Regulated Utilities Franchised Electric and Gas labor cost multiplier and are updated annually. Items 5-10 do not apply to transactions between DEC and DEP.

1. Fringe Benefit Allocation

Fringe benefits are employee benefits such as retirement, and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among business units.

2. Payroll Tax Allocation

Payroll taxes include state unemployment, federal unemployment, social security and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among business units.

3. Incentive Allocation

Incentives are accrued via a loading factor applied to direct labor charges by the DEC/DEP/Piedmont employee performing work for an Affiliate/Nonpublic Utility Operation.

4. Unproductive Cost Allocation

An unproductive cost allocation is applied on the basis of direct labor charges by the DEC/DEP/Piedmont employee performing work for an Affiliate/Nonpublic Utility Operation. DEC/DEP/Piedmont allocates unproductive costs pro rata to direct labor, either via a monthly ratio or standard rates.

Duke Energy intends to calculate Items 5-10 below on a total Regulated Utilities Franchised Electric and Gas basis with the calculations to be performed annually. Annualized costs (either historic or projected) that best align with the current organization will be used in the calculations.

5. Administrative Overheads

An Administrative Overhead Rate will be applied on the basis of direct labor charges. Administrative Overheads include: Departmental administrative functions (Business Support and General Office Executive Management), labor, and non-labor costs (e.g. training, employee expenses, Information Management costs for administrative functions by functional department).

6. Corporate Governance

A corporate governance cost rate is applied on the basis of direct labor charges. The corporate governance rate is based on corporate governance costs allocated to FE&G.

7. Employee Training Costs

An employee training cost rate is applied on the basis of direct labor charges. The employee training-related costs factor will be developed by identifying the direct labor charges for those within Regulated Utilities that perform employee training-related tasks. Such training provides employees with the knowledge and skills necessary to perform their job duties, for professional development, and to maintain professional or technical licenses or for certifications required for business operations. The employee training cost rate is based on the total direct labor charges of the groups within Regulated Utilities that perform employee training-related tasks.

8. Service Company Costs

A service company cost rate is based on historical enterprise and governance overhead charged to Regulated Utilities in the following functions: Information Systems, Transportation, Human Resources, Materials Management, Accounting, Public Affairs, Legal, Finance, Facilities, Internal Auditing, Environmental, Health and Safety, Investor Relations, Planning, and Executive.

9. Facilities Cost

The facilities cost rate is applied on the basis of direct labor charges. The facility cost rate is based on the annual cost structure for corporate facilities, i.e. Charlotte, Raleigh, Cincinnati, St. Petersburg and Plainfield office buildings, and the number of employees occupying these facilities to arrive at an average facility cost.

10. Supervisory Costs

The supervisory cost rate is applied on the basis of direct labor charges. The supervisory cost rate represents the cost of supervision related to a Regulated Utilities employee performing work for an Affiliate Business unit. The basis for determining such costs is through the analysis of supervisory labor cost as a factor of Regulated Utilities employee labor cost.

D. Premium Services (Non-affiliate transactions)

Premium services are unregulated services provided by DEC or DEP to its electric customers. All costs related to premium services are either direct-charged or allocated to non-utility accounts. Costs identified in subsections C.1. through C.4. above are automatically allocated based on labor charges to premium services processes. An additional multiplier rate is also applied to labor charged to these premium services processes to cover costs such as facilities, administrative and corporate overheads, employee training and supervision, and shared services.

J. UTILITY TO UTILITY COST DISTRIBUTION DETAILS

The following are Utility allocations that run on Duke Energy Carolinas and Duke Energy Progress:

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2018 Utility Level Allocations													
Function	Function Description	Allocation Method	Operating Unit (OU)	Function	OU Description	Allocation Pool	Alloc. Pool Description	St Cd	PNG Total	DEK-Gas Total	DEK-Gas Utilities Total	Gas Total	Total
Electric System Maintenance - Coordinates maintenance and support of electric transmission and distribution systems.	Services related to transmission system:	Circuit Miles of Electric Transmission Lines Ratio	CTTR	Electric System	ESS Elec. Tran Utility	CTICMETR	ESS Elec. Tran Utility	C15	-	-	-	-	100.00
			PTTR	Electric System	ESS Elec. Tran Utility	PTICMETR	ESS Elec. Tran Utility	C15	-	-	-	-	100.00
			CTDC	Electric System	ESS Elec. Tran Utility	DCOCMET	ESS Elec. Tran Utility	C98	-	-	-	-	100.00
			PTDC	Electric System	ESS Elec. Tran Utility	PTOCMET	ESS Elec. Tran Utility	C98	-	-	-	-	100.00
			CTDI	Electric System	ESS Elec. Dist Utility	CTICMEDI	ESS Elec. Dist Utility	C16	-	-	-	-	100.00
	Services related to distribution system:	Circuit Miles of Electric Dist. Lines Ratio	PTDI	Electric System	ESS Elec. Dist Utility	PTICMEDI	ESS Elec. Dist Utility	C16	-	-	-	-	100.00
			CTDC	Electric System	ESS Elec. Dist Utility	DCOCMEDI	ESS Elec. Dist Utility	C93	-	-	-	-	100.00
			PTDC	Electric System	ESS Elec. Dist Utility	PTOCMEDI	ESS Elec. Dist Utility	C93	-	-	-	-	100.00
			CTDI	Electric System	ESS Elec. Dist Utility	CTICMEDI	ESS Elec. Dist Utility	C93	-	-	-	-	100.00
			PTDI	Electric System	ESS Elec. Dist Utility	PTICMEDI	ESS Elec. Dist Utility	C93	-	-	-	-	100.00
Marketing and Customer Relations - Grd Solutions - Advises the Client Companies in relations with domestic utility customers.	Design and administration of market solutions standard and/or operational programs.	Number of Customers Ratio	CTSD	MACR	M&CR Sales & Demand Util	CUTSALMCR	M&CR Sales & Demand Util	C17	-	2.07	8.97	11.04	100.00
			PTSD	MACR	M&CR Sales & Demand Util	PTUTSALMCR	M&CR Sales & Demand Util	C82	-	2.07	8.97	11.04	100.00
			CTET	MACR	Mkt Sol - DEP Leg Duk	DEFSALSTD	Market Solutions - DEP LD Sid	U04	-	-	-	-	100.00
			PTET	MACR	Customer Strategy P&S	CUTSALNET	Customer Strategy P&S	C75	-	-	-	-	100.00
			CTDI	MACR	Customer Strategy P&S	PTUTSALNE	Customer Strategy P&S	C83	-	-	-	-	100.00
			CSTD	MACR	Standard Services	CUTSALSTD	Standard Services	C17	-	2.07	8.97	11.04	100.00
			PTSD	MACR	Standard Services	PTUTSALSTD	Standard Services	C17	-	-	-	-	100.00
			CTDI	MACR	Mkt Sol - DEC Duke Sid	DECSALSTD	Market Solutions DEC LD Sid	U03	-	-	-	-	100.00
			PTDI	MACR	Mkt Sol - DEC Duke Sid	PTUTSALSTD	Market Solutions DEC LD Sid	U03	-	-	-	-	100.00
			CTDI	MACR	M&CR Sales&Demand Util MWGas only	CUTICUSMGR	M&CR Electric Utility	C74	-	-	-	-	100.00
Electric Transmission & Construction - Designs, monitors and supports the construction of electric transmission and distribution lines and substations. Prepares cost & schedule estimates, visits construction sites to ensure that construction activities coincide with plans, & administers construction contracts.	Transmission engineering and construction:	Number of Customers Ratio	PTMR	MACR	DEF Customer Elec Only	PCUSELEC	DEF Customer Elec Only	C78	-	-	-	-	100.00
			CTMR	MACR	DEF Customer Elec Only	CTICUSEMCR	DEF Customer Elec Only	C78	-	-	-	-	100.00
			PTMR	MACR	M&CR Mtr Rtg&Pmt Proc Util	CTICUSPMIT	M&CR Mtr Rtg&Pmt Proc Util	C37	-	2.07	8.97	11.04	100.00
			CTMR	MACR	M&CR Mtr Rtg&Pmt Proc Util	PTICUSPMIT	M&CR Mtr Rtg&Pmt Proc Util	C37	-	2.07	8.97	11.04	100.00
			CTMR	MACR	M&CR Mtr Rtg&Pmt Proc Util	FUTICUSPMIT	M&CR Mtr Rtg&Pmt Proc Util	C89	-	2.07	8.97	11.04	100.00
			CTMR	MACR	M&CR Mtr Rtg&Pmt Proc Util	CUTICUSPMIT	M&CR Mtr Rtg&Pmt Proc Util	C38	-	1.22	5.28	6.50	100.00
			CTMR	MACR	M&CR Mtr Rtg&Pmt Proc Util	CUTICUSPAY	Market Solutions - DEC All Util	C99	-	-	-	-	100.00
			CTMR	MACR	M&CR Customers Util ND	CUTICUSPAY	M&CR Customers Util ND	C02	-	1.22	5.28	6.50	100.00
			CTMR	MACR	M&CR Customers Util ND	PTICUSPAY	M&CR Customers Util ND	C02	-	-	-	-	100.00
			CTMR	MACR	M&CR Customers Util ND	FUTICUSPAY	M&CR Customers Util ND	C88	-	1.22	5.28	6.50	100.00
Power Engineering & Construction - Designs, monitors and supports the construction of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units or improvements to existing units. Prepares cost and schedule estimates and visits construction sites to ensure that construction activities coincide with plans.	Distribution engineering and construction:	Electric Distribution Plants) Construction - Expenditures Ratio	PTET	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ET Utility	PTICONEETR	Eng & Constr ET Utility	C18	-	-	-	-	100.00
			CTED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ED Utility	CTICONEEDT	Eng & Constr ED Utility	C30	-	-	-	-	100.00
			PTED	Electric Transmission & Distribution Engineering & Construction	Eng & Constr ED Utility	PTICONEEDT	Eng & Constr ED Utility	C30	-	-	-	-	100.00
			CTCE	Power Engineering & Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Engineering & Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Engineering & Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Engineering & Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Engineering & Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Engineering & Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Engineering & Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
Power Planning and Operations - Coordinates the planning, management and operation of Duke Energy Corporation's electric power systems. The activities of the Function include: System Planning - planning of additions and retirements to Duke Energy Corporation's electric generation, transmission and distribution systems.	Generation planning:	Elec Peak Load Ratio	CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
	Transmission planning:	Elec Peak Load Ratio	CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
Distribution planning:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Elec Peak Load Ratio	CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
		CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
		CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
		CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
		CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
Power Planning and Operations - System Operations - coordination of the energy dispatch and operation of Duke Energy Corporation's electric generating units and transmission and distribution systems.	Generation Dispatch:	Sales Ratio	CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
	Transmission Operations:	Weighted Average of the Circ Miles of Elec Transm Lines Ratio and the Elec Peak Load Ratio	CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
Distribution Operations:	Weighted Avg of the Circ Miles of ED Lines Ratio and the Elec Peak Load Ratio	CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
		CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
		CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
		CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
		CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00	
Power Operations - provides management and support services for Duke Energy Corporation's electric generation system.	Generating MDC Ratio	Generating MW Capability MDC Ratio	CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00
			CTCE	Power Planning and Construction	Eng & Constr Pwr Prod Util	CTICONEPWR	Eng & Constr Pwr Prod Util	C25	-	-	-	-	100.00

2018 Utility Level Allocations															
Function	Function Description	Allocation Method	Operating Unit (OU)	Function	OU Description	Allocation Pool	Alloc Pool Description	St Cd	DEC Total	DEP Total	DEF Total	DEI Total	DEK Total	DEO Total	Electric Utilities Total
Environmental, Health and Safety	Establishes policies and procedures and governance framework for compliance with environmental, health and safety (EHS) issues, monitors compliance with EHS requirements and provides EHS compliance support to the Client Companies' personnel.	Sales Ratio	CTEA	Environmental, Health and Safety	Enviro Affairs Svcs Utility	CTISALEW	Enviro Affairs Svcs Utility	C47	28.76	20.61	13.39	10.62	1.35	6.76	81.49
									-	-	-	-	-	-	-
									-	-	-	-	-	-	-
									-	-	-	-	-	-	-
Fuels	Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.	Sales Ratio	CTHS	Fuels	Fuels Utility	CUTISALHS	Fuels Utility	C48	27.40	25.36	24.84	19.68	2.72	-	100.00
									-	-	-	-	-	-	-
									-	-	-	-	-	-	-
									-	-	-	-	-	-	-
Nuclear	Provides general support services for the Nuclear fleet.	Generating Unit/MW Capacity /MDC Ratio	CHUE PNUC	Nuclear Nuclear	DEC Nuclear Fixed Distribution PEC Nuclear Fixed Distribution	CUNUCENGI PUNUCLENGI	DEC Nuclear Fixed Distribution PEC Nuclear Fixed Distribution	C49 C50	67.00 67.00	33.00 33.00	- -	- -	- -	- -	100.00 100.00
Fossil Hydro	Coal Combustion - provides centralized management, governance and support services for Duke Energy's Corporation's coal combustion residuals	MDC Ratio	CCPD CCGP CCOM CCPC CCCC	Fossil Fossil Fossil Fossil Fossil	Coal Combustion Products Coal Combustion Products CAPEX Coal Combustion Products O&M Coal Combustion Products ARO Coal Combustion Products Capital Additions	DEC CCPD DEC CCGP DEC CCOM DEC CCPC DEC CCCC	FHO Coal Comb Prod Util DEC CCP CAPEX Alloc CCP O&M Alloc Coal Combustion Products ARO Coal Combustion Products Capital Additions	CCA CCP CCP AR3 CA1	47.29 51.61 43.64 100.00 100.00	41.87 35.04 25.46 - -	0.14 7.21 - - -	10.32 1.34 27.12 - -	0.38 4.80 3.78 - -	- - - - -	100.00 100.00 100.00 100.00 100.00

2018 Utility Level Allocations												
Function	Function Description	Allocation Method	Operating Unit (OU)	Function	OU Description	Allocation Pool	Alloc Pool Description	St Cd	PWG Total	DEK-Gas Total	DEO-Gas Total	Gas Utilities Total
Environmental, Health and Safety	Establishes policies and procedures and governance framework for compliance with environmental, health and safety ("EHS") issues, monitors compliance with EHS requirements and provides EHS compliance support to the Client Companies' personnel.	Sales Ratio	CTEA	Environmental, Health and Safety	Enviro Affairs Svcs Utility	CTISALENV	Enviro Affairs Svcs Utility	C47	9.71	1.34	7.46	18.51
									-	-	-	-
									-	-	-	-
									-	-	-	-
Fuels	Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.	Sales Ratio	CTHS	Fuels	Fuels Utility	CUTISALHS	Fuels Utility	C48	-	-	-	-
									-	-	-	-
									-	-	-	-
									-	-	-	-
Nuclear	Provides general support services for the Nuclear fleet.	Generating Unit MW Capability /MDC Ratio	CNUC PNUC	Nuclear Nuclear	DEC Nuclear Fixed Distribution PEC Nuclear Fixed Distribution	CUNUCENG PUNUCLENG	DEC Nuclear Fixed Distribution PEC Nuclear Fixed Distribution	C49 C50	- -	- -	- -	- -
									-	-	-	-
Fossil Hydro	Coal Combustion - provides centralized management, governance and support services for Duke Energy's Corporation's coal combustion residuals	MDC Ratio	CCPD CCCP CCOM CCPC CCCC	Fossil Fossil Fossil Fossil Fossil	Coal Combustion Products Coal Combustion Products CAPEX Coal Combustion Products O&M Coal Combustion Products ARO Coal Combustion Products Capital Additions	DEC CCPD DEC CCCP DEC CCOM Coal Combustion Products ARO Coal Combustion Products Capital Additions	FHO Coal Comb Prod Util DEC CCP CAPEX Alloc CCP O&M Alloc Coal Combustion Products ARO Coal Combustion Products Capital Additions	CCA COP COP AR3 CA1	- - - - -	- - - - -	- - - - -	- - - - -
									-	-	-	-
									-	-	-	-
									-	-	-	-
									-	-	-	-

K. GUIDELINES AND PROCEDURE FOR CHARGING DEC/DEP/PIEDMONT FOR COSTS ORIGINATING WITH UTILITY AFFILIATES EXCLUDING THE SERVICE COMPANY

On occasion, Utility Affiliate (DEF, DEI, DEK, DEO-Transmission or DEO - Distribution) employees may be requested to provide support, subject to availability, to DEC/DEP/Piedmont. Affiliate management is responsible for ensuring that the use of all company resources to support DEC/DEP/Piedmont is properly charged to DEC/DEP/Piedmont. The Utility Affiliate will charge its fully distributed cost to DEC/DEP/Piedmont. Charging DEC/DEP/Piedmont fully distributed cost is normally accomplished with the application of a percentage loaded on direct labor charges. Other charges may be made separately to account for vehicle charges, employee expenses, materials and supplies, contract services, etc. The Utility Affiliate management is accountable for the review and approval of all charges from the Utility Affiliate in support of DEC/DEP/Piedmont work. An Affiliate Rules and Transactions CBT (emphasis on DEC/DEP/Piedmont) is available in the Training Connection on the Portal.

Please reference Section I. *Guidelines and Procedure for Charging Affiliates for Costs Originating with DEC/DEP/Piedmont*, which addresses eliminating a utility affiliate loader between DEC and DEP.

The following procedure addresses the responsibilities of employees and management.

A. General Guidelines

1. Hours worked by the Utility Affiliate employees in direct support of DEC/DEP/Piedmont are charged directly to DEC/DEP/Piedmont.
2. First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by Utility Operations to DEC/DEP/Piedmont (timesheets, employee expenses, etc.).
3. First-line supervisors/managers are responsible for reviewing any reports that detail monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility center to DEC/DEP/Piedmont.
4. Utility Affiliate to DEC/DEP/Piedmont transactions typically require the completion and approval of a Service Request form, unless DEC/DEP/Piedmont is requesting the service from the other. The process and eForm can be found on the Portal under Rates & Regulatory.

B. Time Reporting

When a Utility Affiliate employee supports DEC/DEP/Piedmont:

1. Hours worked by the Utility Affiliate employees in direct support of DEC/DEP/Piedmont are charged directly to DEC/DEP/Piedmont.
2. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for vacation carryover or paid supplemental compensation.
3. The financial system will automatically load time reported to DEC/DEP/Piedmont with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries will be made by the Regulated Utility Financial Planning & Analysis group to appropriately adjust the costs to market. The overhead cost factor includes the following components: department administrative overheads, corporate governance, employee training, Service Company-related shared services, facilities, and supervisory costs.

C. Labor Allocations

Utility Affiliate employees provide services to DEC/DEP/Piedmont at fully distributed cost. The mechanism for charging DEC/DEP/Piedmont is generally a cost adder applied to labor charges and a market value journal entry if applicable. Allocation rates described in items 1 through 10 below are applied as a cost factor to direct labor charged to DEC/DEP/Piedmont. Below are the various cost components of labor loads. The rates for Items 1-4 may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items 5-10 are components of Duke Energy's Regulated Utilities labor cost multiplier and are updated annually.

1. Fringe Benefit Allocation

Fringe benefits are employee benefits such as retirement and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among business units.

2. Payroll Tax Allocation

Payroll taxes include state unemployment, federal unemployment, social security and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among business units.

3. Incentive Allocation

Incentives are allocated via a loading factor applied to direct labor charges by each Utility Affiliate employee performing work for DEC/DEP/Piedmont.

4. Unproductive Cost Allocation

An unproductive cost allocation is applied on the basis of direct labor charges by each Utility Affiliate employee performing work for DEC/DEP/Piedmont. Each Utility Affiliate allocates unproductive costs pro rata to direct labor, either via a monthly ratio or standard rates.

Duke Energy intends to calculate Items 5-10 below on a total Regulated Utilities basis with the calculations to be performed annually. Annualized costs (either historic or projected) that best align with the current organization will be used in the calculations. Please reference Section I. *Guidelines and Procedure for Charging Affiliates for Costs Originating with DEC/DEP/Piedmont*, details of Items 5-10. Items 5-10 do not apply to transactions between DEC and DEP.

5. Administrative Overheads

6. Corporate Governance

7. Employee Training Costs

8. Service Company Costs

9. Facilities Cost

10. Supervisory Costs

L. GUIDELINES AND PROCEDURE FOR CHARGING DEC/DEP/PIEDMONT FOR COSTS ORIGINATING WITH NON-REGULATED AFFILIATES

On occasion, employees of Non-Regulated Affiliates may be requested to provide support, subject to availability, to DEC/DEP/Piedmont. (Non-Regulated Affiliates' management is responsible for ensuring that use of all company resources to support DEC/DEP/Piedmont work is properly charged to DEC/DEP/Piedmont.) Rules regarding affiliate agreements between Non-Regulated Affiliates and DEC/DEP/Piedmont are described in Section E. *Guidelines for Transactions between DEC/DEP/Piedmont and Affiliates* incorporated in this CAM. Non-Regulated Affiliates will charge DEC/DEP/Piedmont the lower of fully distributed cost or market value as appropriate. Charging DEC/DEP/Piedmont either market or fully distributed cost is normally accomplished with the application of a percentage loaded on direct labor charges. Other charges may be made separately to account for vehicle charges, employee expenses, materials and supplies, contract services, etc. Non-Regulated management is accountable for the review and approval of all charges from Non-Regulated Affiliates in support of DEC/DEP/Piedmont's work.

The following procedure addresses employee's and manager's responsibilities.

A. General Guidelines

1. Hours worked by employees of Non-Regulated Affiliates in direct support of DEC/DEP/Piedmont are charged directly to DEC/DEP/Piedmont.
2. First-line supervisors should review and approve, when appropriate, any source documentation resulting in a charge by Non-Regulated Affiliates to DEC/DEP/Piedmont (timesheets, employee expenses, etc.).
3. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include charges incurred by the responsibility center to DEC/DEP/Piedmont.
4. Non-Regulated to DEC/DEP/Piedmont transactions typically require the completion and approval of a Service Request form. The process and eForm can be found on the Portal under Rates & Regulatory.

B. Time Reporting

When a Non-Regulated employee supports DEC/DEP/Piedmont:

1. Hours worked by Non-Regulated employees in direct support of DEC/DEP/Piedmont are charged directly to DEC/DEP/Piedmont.
2. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for vacation carryover or paid supplemental compensation.
3. The financial system will automatically load time reported to DEC/DEP/Piedmont with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries will be made by the Non-Regulated Affiliate's financial group to appropriately adjust the costs to market.

C. Labor Allocations

Non-Regulated employees provide services to DEC/DEP/Piedmont at the lower of fully distributed cost or market value. The mechanism for charging DEC/DEP/Piedmont is generally a cost adder applied to labor charges. When appropriate to charge market, a market value journal entry is made. Allocation rates described in items 1 through 10 may be applied as a cost factor to direct labor when charging DEC/DEP/Piedmont.

Below are the various cost components of labor loads which may be applied to labor when Non-Regulated Affiliates do work for and charge DEC/DEP/Piedmont. The rates for Items 1-4 (specific to Non-Regulated Affiliates) may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items 5-10 may also be included as components of Non-Regulated Affiliates' labor cost multiplier.

1. Fringe Benefit Allocation

Fringe benefits are employee benefits such as retirement and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among business units.

2. Payroll Tax Allocation

Payroll taxes include state unemployment, federal unemployment, social security and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among business units.

3. Incentive Allocation

Incentives are allocated via a loading factor applied to direct labor charges by the Non-Regulated employee performing work for DEC/DEP/Piedmont.

4. Unproductive Cost Allocation

An unproductive cost allocation is applied on the basis of direct labor charges by the Non-Regulated employee performing work for DEC/DEP/Piedmont. Non-Regulated Affiliates allocate unproductive costs pro rata to direct labor, either via a monthly ratio or standard rates.

Please reference Section I. *Guidelines and Procedure for Charging Affiliates for Costs Originating with DEC/DEP/Piedmont*, details of Items 5-10.

5. Administrative Overheads

6. Corporate Governance

7. Employee Training Costs

8. Service Company Costs

9. Facilities Cost

10. Supervisory Costs

M. TYPICAL TRANSACTIONS BETWEEN DEC/DEP/PIEDMONT AND AFFILIATES COVERED UNDER SEPARATE AGREEMENTS

The following are some of the typical transactions that DEC/DEP/Piedmont conduct with one another or their affiliates under separate agreements not otherwise discussed in this manual. These agreements and others can be found on the State Regulatory Compliance portal page.

A. **Bison Insurance**

Duke Energy's Insurance program requires that costs be identified and allocated to the business units based upon their contributions to the risk of the entire company. The programs are designed to encourage risk control, early claims reporting, and efficient claims management and allow for cost-based pricing. This is accomplished by transferring the insurable losses across the company to the captive insurance companies, generally after a small business unit deductible is met. The captives also reinsure their risk in excess of its retention (and additional deductible) with unrelated third party reinsurance companies. The captives charge premiums to business units that participate in the program to cover the aggregate cost of reinsurance and the estimated retained losses at the captives. This works essentially the same way commercial insurance works where the losses of a few are covered by the premiums of many.

The primary types of costs to be allocated are:

- retained losses and related loss adjustment expenses
- insurance premiums

Duke Energy has developed specific premium calculation methodologies for each line of coverage (i.e. general liability, property, workers' compensation and directors and officers), which is similar to how commercial insurance underwrites risk. Insurance premiums (costs) are generally allocated on a blended basis of exposure and historical loss experience (frequency and severity).

B. Intercompany Asset Transfer Agreement

An agreement among DEC, DEP, DEF, DEO, DEI, DEK, and Piedmont addresses the transfer of assets, compensation, payment, warranties, and indemnification. The Commission approved a limited waiver of the cost-based pricing provisions of the Intercompany Asset Transfer Agreement for the transfer between DEC and DEP of rotatable fleet spares, which are specific working parts of a generating unit that must be replaced several during the relatively long life of that unit. *Order Approving Request for Limited Waiver and Pre-Approval of Accounting Authority Pursuant to Rule R8-27*, Docket No. E-2, Sub 998A, E-7, Sub 986A (Sept. 3, 2014).

C. Tax Sharing Agreement

Duke Energy Corporation, as parent of a consolidated group of companies, files federal income taxes on behalf of its affiliates who are members of its consolidated group. Under Duke Energy Corporation's Tax Sharing Agreement, which is applicable to all members of Duke Energy's consolidated group, income taxes allocable to Duke Energy Corporation are accrued by it and consolidated group members on a stand-alone basis.

D. Utility Money Pool Agreement

Establishes a cash management program (the "Utility Money Pool") to coordinate and provide for certain short-term cash and working capital requirements.

E. Carolinas Operating Companies Commodity and Related Equipment and Services Transfer Agreement

Provides for the pre-approved transfer of fuel, reagents, coal combustion products, and related equipment and services (but does not provide for the disposal of coal combustion products). See *Order Accepting Affiliate Agreement and Allowing Payment Thereunder*, Docket Nos. E-2, Sub 998A and E-7, Sub 986A (Feb. 10, 2015).

F. Asset Management and Delivered Supply Agreement (AMA)

Provides for DEC to be the asset manager for all natural gas supply and capacity for both DEC and DEP. The AMA facilitates coordination and optimization of natural gas capacity and supply rights owned by DEC and DEP to reduce the cost of providing electric service to both DEC's and DEP's native load customers.

N. OTHER

Audit Principles & Guidelines

An audit trail shall exist with respect to transactions between DEC/DEP/Piedmont and its affiliates.

Corporate Audit Services will have complete access to affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with established policies and procedures and regulatory requirements. Auditors will have complete access to affiliate records to ensure availability of relevant information necessary to evaluate whether subsidization exists. The auditors, not the individual affiliates, will determine what is relevant for a particular audit objective. Limitation of access would compromise the audit process and impair audit independence.

Cost allocation documentation will be made available to Corporate Audit Services for periodic review of the allocation policies and procedures and to any jurisdictional regulatory authority when appropriate and upon request. Any entity required to provide access to its books and records can, and is encouraged to, make arrangements as necessary and appropriate to ensure that competitively sensitive information provided in the course of the audits be kept confidential by Corporate Audit Services and/or regulatory authorities.

Transactions between DEC/DEP/Piedmont and its Affiliates/Nonpublic Utility Operations will be reviewed at a minimum annually by Corporate Audit Services.